New Russians
Rise of the business class
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Under siege
Bankers move in on Hong Kong
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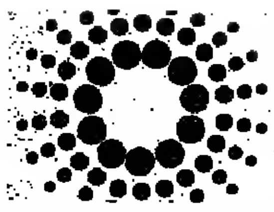

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 27 1994 — D8523A

BT boosts global ambitions with Scandinavian deal

British Telecommunications yesterday announced a partnership agreement with three of Scandinavia's four national telecommunications operators, in a further boost to its international ambitions.

Norwegian Telecom, Telecom Finland and Tele Danmark, the Danish national operator, will work with BT to market one-stop international telecoms services across Scandinavia, in a move that marks a further stage in the division of the world's leading telecoms operators between three alliances. Page 17; BT rival reveals its prices, Page 9

India tries to limit plague: Indian health authorities were struggling to control the spread of pneumonic plague after signs of further outbreaks following the flight of 300,000-500,000 people from the western city of Surat. Page 16

Jury selection starts in O J Simpson trial

For 3¼ months, there has been nothing in the US to compare with tha case of O.J. Simpson, the retired gridiron football star accused of the murder of his former wife, Nicole Brown Simpson, and her friend, Ronald Goldman. Yesterday the trial started, with the questioning of as many as 1,000 prospective jurors, from whom a panel of 12, with eight alternates, must be chosen. Page 16

Peugeot Citröen provided evidence of the recovery in the French car industry and the strengthening of its product range, announcing net profits of FFr688m ($132m) for the first half of the year, compared with a loss of FFr1.12bn in the same period in 1993. Page 17

Last-ditch move on trade: In Washington today Ryutaro Hashimoto, Japan's international trade and industry minister, will make a last-ditch attempt to resolve the deadlock in US-Japanese trade talks and avoid sanctions. Page 16

Israel restarts West Bank settlement: The Israeli government lifted the two-year freeze on building new housing for Jewish settlers in the occupied territories, with prime minister Yitzhak Rabin approving plans for almost 1,000 housing units just inside the West Bank. Page 5

Sabena, Belgian state-owned carrier, is seeking to pressure Air France into reducing or selling its minority stake to enable the formation of partnerships with other interested airlines. Page 20

Moscow budget attacked: The Russian budget, its income cut almost in half because of a huge shortfall in tax revenues, came under attack from two of the strongest lobbies in the country – the military and the energy ministry. Page 2

Tokyo relaxes rules on derivatives: Japan took a small step on its long road to financial deregulation by permitting banks to trade in two forms of financial derivatives. Page 21

Eurotunnel shares fall on reports of leaks

Source: FT Graphite

Eurotunnel's share price fell 19p, or 7 per cent, to 250p, as reports of leaks in the Channel tunnel added to the challenge the UK company faces in avoiding a further refinancing, following its May £858m ($1.3bn) rights issue. Eurotunnel said the salt water leaks were in line with the design and would not delay the start date for a full service. More of a problem, however, is the impact the story could have on public perception of the tunnel and the knock-on effect of a low share price on anticipated capital from the conversion of warrants. Page 23

Pakistan gains investment: Pakistan's efforts to attract investments in power generation and oil and gas exploration have borne fruit with contracts *with US companies* worth about $4bn. Page 8

26 die in crash: A Russian Yak-40 aircraft crashed while trying to make an emergency landing in bad weather at Vanavara in Siberia, killing all 23 passengers and the three crew members.

Swinging London: MTV Networks, the American-owned music television group, is to make London its international headquarters responsible for all MTV activities outside the US. Page 9

■ STOCK MARKET INDICES

FT-SE 100	2,999.6	(-28.4)
Yield	4.21	
FT-SE Eurotrack 100	1,338.05	(-4.68)
FT-SE-A All-Share	1,505.22	(-0.9%)
Nikkei	19,814.36	(-19.31)
New York: lunchtime		
Dow Jones Ind Ave	3,832.42	(+0.67)
S&P Composite	459.59	(-0.08)

■ US LUNCHTIME RATES

Federal Funds:	4 11/16%
3-mo Treas Bills: Yld	4.882%
Long Bond	96 11/32
Yield	7.783%

■ LONDON MONEY

3-mo Interbank	5 13/16%	(Same)
Liffe long gilt future	Dec 99⅛	(Dec 99¼)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.46	(16.65)

■ GOLD

New York Comex (Dec)	$397.8	(399.6)
London	$395.95	(396.0)

■ STERLING

New York lunchtime:		
$	1.5745	
London:		
$	1.5743	(1.5788)
DM	2.4482	(2.438)
FFr	8.3643	(8.3366)
SFr	2.0265	(2.0263)
Y	155.383	(154.252)
£ Index	79.9	(79.7)

■ DOLLAR

New York lunchtime:		
DM	1.55525	
FFr	5.3115	
SFr	1.28805	
Y	98.7	
London:		
DM	1.5551	(1.5443)
FFr	5.313	(5.2805)
SFr	1.2873	(1.2835)
Y	98.7	(97.705)
$ Index	62.3	(61.9)

Tokyo close Y 97.86

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh16	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 30	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr9.50	Lebanon	US$1.50	Portugal (mland)	Es225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

Nato envoys back Claes as secretary general

Belgian minister's first task will be to avert alliance crisis over Bosnia

By Bruce Clark in London

Mr Willy Claes, a Belgian socialist with controversial views on the future of central and eastern Europe, was endorsed yesterday as the next secretary-general of Nato by ambassadors of its 16 members.

The new Nato chief, at present Belgian foreign minister, will face the challenges of heading off a crisis in transatlantic relations over Bosnia, guiding Nato's debate over enlargement of its membership, and defining a new role for the alliance.

The path was cleared for his appointment by the withdrawal of Mr Uffe Ellemann-Jensen, a former Danish foreign minister. Mr Claes, 55, is expected to be appointed formally at a meeting of Nato foreign ministers within two weeks.

He opposed the deployment of new US missiles in Europe in the 1980s, but more recently has defended a continuing US role on the Continent. As foreign minister, he had irritated Turkey – a Nato member – by expressing sympathy for the plight of that country's Kurdish minority.

Washington's acceptance of Mr Claes, signalled last week, amounts to a conciliatory gesture to its European allies at a time of mounting disagreement over Bosnia.

European Nato members have said in recent weeks that US moves to authorise arms supplies to the Bosnian government might stoke the conflict and endanger the lives of UN ground troops. Senior US military officers have expressed bitter frustration over the UN's cautious attitude to air strikes.

Supporters of Mr Claes say his experience of parrying political and linguistic differences in his native Belgium should help him to ease conflicts. However, his views on the prospects for integrating central and eastern Europe into western institutions are expected to cause continuing controversy.

At a speech in Vienna last year, Mr Claes drew a strong distinction between the political outlook of countries of Protestant or Roman Catholic heritage – such as Poland, the Baltic states, Hungary and Slovenia – and those of Orthodox Christian tradition, such as Romania, Bulgaria, Serbia and Russia.

Among the first group of states, he said, European integration was becoming a "goal within reach". In the second, progress towards democracy was much slower and more difficult.

Claes boosted by success of Belgian EU presidency, Page 2

Mustard business for sale

Reckitt pays $1.55bn for household group in US

By Roderick Oram, Consumer Industries Editor

Reckitt & Colman is breaking with 185 years of history by putting its mustard business up for sale to help finance its drive to become one of the world's leading suppliers of lavatory cleaners and other household products.

Yesterday Reckitt announced the $1.55bn (£980m) purchase of L&F Household from Eastman Kodak, and offered for sale Colman's mustard and other UK food and drink businesses, including Robinson's barley water.

Sir Michael Colman, chairman and last family member in the business founded five generations ago in a Norwich mill, said it was a difficult decision to sell Colman's.

He believed, however, that the business would be better run by a group with a strong food strategy now that Reckitt was concentrating on disinfectants, cleaners, air fresheners and insecticides.

The acquisition of L&F, a big US household product supplier, will be part-financed by a one-for-eight rights issue at 500p a share to raise £230m. It will enhance Reckitt's position in the US with leading brands such as Lysol, the disinfectant, and will give it a springboard for global expansion, the group said.

Mr Vernon Sankey, chief executive, said: "We will have the capacity to compete globally against the majors and more effectively in the US."

Reckitt will rise from about eighth to the top four in the US and global household products markets, he added. In its product categories, it will be on a par with companies such as Colgate-Palmolive and Procter & Gamble.

The City welcomed the purchase for its strategic value, given Reckitt's second-string status in the US. Its shares closed 43p down at 555p because of the deeply discounted rights issue price and some doubts over Reckitt's assertion that the deal would enhance its earnings this year.

With the sale of L&F, Kodak has almost completed the $7bn disposal programme launched in May by Mr George Fisher, its new chairman. L&F's other arm – do-it-yourself products such as wood finishes – is the last main asset to go.

To pay for L&F, Reckitt is increasing its debt from about £300m, including a convertible capital bond, to £1.1bn, which will raise gearing from about 50 per cent to 160 per cent. It emphasised, however, that its interest costs would be covered more than five times by operating profits.

Moreover, it expected to bring debt back down to pre-deal levels within three years, thanks to some £400m from piecemeal disposal of the UK food and drink

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Cleaning up its act to fight the giants, Page 17
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Russian president Boris Yeltsin shrugs in response to reporters' questions as he arrives in New York at the start of his five-day US visit Reuter

Clinton lifts US sanctions on Haiti

By George Graham in New York

The US yesterday announced the lifting of all its unilateral economic sanctions against Haiti, except those targeting the Haitian military junta and its supporters.

In a speech to the United Nations General Assembly, President Bill Clinton said the US would act as quickly as it could, within the framework of the UN-ordered embargo, to restore water and power to Haiti.

Leaders scheduled to address the session included Mr Boris Yeltsin of Russia, who was reported to have brought a new nuclear disarmament proposal with him to the UN.

Mr Clinton said the US had "no desire to be the world's policeman, but we will do what we can to help civil societies emerge from repression".

Acknowledging reluctance both in the US and elsewhere to get involved in the world's trouble spots, Mr Clinton said that nevertheless great progress had been made towards peace in areas such as South Africa, the Middle East and Northern Ireland.

Speaking as Mr Gerry Adams, the leader of Sinn Féin, continued his speaking tour of the US, Mr Clinton claimed some of the credit for advancing the "earnest search by the people of Northern Ireland and Great Britain and Ireland to end centuries of division and decades of terror".

The UN Security Council resolution which imposed general sanctions on Haiti does not provide for their removal until General Raoul Cédras and the military leaders who ousted President Jean-Bertrand Aristide in 1991 have left power.

That may not be until October 15, under the terms of the agreement that averted an invasion but led to the current military occupation by the US. But Mr Clinton urged other countries to follow the US in lifting unilateral measures such as a ban on air travel.

In Haiti, he said, a combination of creative diplomacy, the influence of economic power and the credible threat of military force had brought success. But Haiti's people must show patience and restraint to make the transition to a peaceful democracy.

Mr Clinton warned that the Bosnian capital of Sarajevo "once again faces the prospect of

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Tighter hedge fund rules urged to stop market manipulation

By John Gapper, Banking Editor, in London

Stronger requirements for hedge funds and others to disclose large trades in smaller government bond markets may help to prevent those markets from being manipulated, according to a study by officials of the International Monetary Fund.

The study into trends in international capital markets argues that the absence of regular information on position-taking in bond markets makes it hard to determine the impact of hedge funds, or detect instances of market manipulation.

Although it says there is no evidence that hedge funds, which are thought to have capital of up to $100bn, collude to move prices, it points out that they "often seem to react similarly to a given set of market opportunities".

The study says that information on large trades might be "particularly useful in the smaller government securities markets, where the action of a set of placers is likely to have a larger potential impact on prices".

Hedge funds have attracted controversy since their role in trading European currencies in the 1992 exchange-rate crisis two years ago was disclosed, and the study analyses regulatory concerns over their activities.

It finds no clear evidence that the 800-900 hedge funds, which try to give private investors high returns by leveraging capital and making bets on foreign exchange and bond markets, have increased volatility in bond markets.

Instead, it says hedge funds add to liquidity in bond markets. It says governments and central banks have found cases where only hedge funds have been willing to buy bonds as prices have fallen, and so have stabilised markets.

The study, released to coincide with the IMF/World Bank annual meetings in Madrid next week, reports the view of one country's supervisory authority that "hedge funds have become the 'buyer of last resort' in some of these markets".

However, it says the sums funds have to deposit with banks in order to borrow cash to trade on bond markets – typically 2 per cent to 4 per cent of the facility – may be too small to prevent markets from becoming excessively leveraged.

It points out that hedge funds are calculated to wield up to four times the equity capital of large US securities firms. More than half the capital is thought to be in "macro" funds that make bets on changes in interest and exchange rates.

International banking supervisors are collecting data to give a better picture of banks' credit exposure to hedge funds.

International Capital Markets: Developments, Prospects and Policy Issues; IMF Publication Services, 700 19th Street NW, Washington, DC 20431; $20.

CONTENTS

Big Russian budget shortfall under fire from military

By John Lloyd in Moscow

The Russian budget, its income cut almost in half because of a buge shortfall in tax revenues, came under attack yesterday from two of the strongest lobbies in Russia: the military and the Energy Ministry.

According to ooe senior official, lack of money is causing Russia to default oo its commitments to disarm – a subject now being discussed between Presideots Boris Yeltsin and Bill Clintoo in Washington.

The ferocity of the attack, coming as the political season opens once again with the cooveniug later this week of the two houses of parliament, signals what will be a sustained effort to break the will of the Finaoce Ministry and tha prime minister to hold the line on relatively low inflation and a limited budget deficit.

The attack also coincides with serious discussions with the International Mooetary Fund on further assistance for Russian reforms, in which ministers will make a strong pitch for assistance based oo their performance in bringing down inflation to 4 per cent a month.

The Ministry of Defeoce, already smarting from receiving a little over half of what it said was essential for minimum performance, said yesterday that even the low figure proposed by the government had not been delivered and that the Finance Ministry was "discrediting itself" in holding down spending.

Colonel General Alexandar Kuznetsov, first deputy head of the department of the budget and finance in the Defence Ministry, told the defence committee of the Stata Duma (lower house) yesterday that in the first nine months of this year, the ministry had received only Rbs14,600bn, or 53 per cent of the Rbs27,200bn it should have received.

Mr Vyacheslav Mozgalev, a senior official in the Economic Ministry, told the defence committee that the situation in defence industries was "catastrophic". He said: "Ninety-five per cent of defence plants have stopped working; no new weapons research work is being financed and the Defence Ministry will not receive a newly developed piece of equipment until 2000."

Mr Mozgalev also claimed that "because of the lack of funds, Russia is not fulfilling one of its international agreements to rednce its armaments". Only 22 per cent of the planned budget for disarmament had been received.

At the same time, the Ministry of Energy and Heating has claimed that supplies of heating fuel for winter are in an "extraordinarily bad" situation. On September 1 only 5.4m tonnes of coal and 2m tonnes of heating oil were stored – compared to 33.5m tonnes and 7.2m tonnes last year.

According to the RIA news agency, ministry officials are particularly concerned about supplies, especially of coal, to the far east and extreme north of the country. Nuclear power stations are also in crisis.

The Energy Ministry with the Ministry of the Economy is preparing a government announcement on supplying the economy with fuel for the autumn and winter period 1994-95, a decision which seems to mean further pressure on the Finance Ministry to open the coffers or consign millions of Russians to a cold winter.

British aod Russian governments yesterday became "serious partners". In the words of deputy prime minister Alexander Shokhin, writes Liam Halligan.

Speaking at the Russian embassy in London Mr Shokhin said bilateral consultations originally announced in May 1992 had come to fruition in the form of a $800m (£506m) "credit guarantee". Together with the UK president of the Board of Trade, Mr Michael Heseltine, Mr Shokhin singled out several groups of projects" which mark the promotion of British companies in the Russian federation.

The projects focus on the development of Russia's telecommunications infrastructure, the provision of medical and radiological equipment to be supplied by Philips and technical support for Russia's petrochemical industry. The involvement of Britain's tobacco and car industry was also mentioned.

Among other developments announced was the possibility of assistance with the construction of a further international air termioal in Moscow in return for the granting of extra corridors to British carriers.

It was also announced that Mr Shokhin yesterday signed a $100m credit facility with the EBRD to be followed up with a $200m package from the World Bank. The latter will be signed in Washington tomorrow.

The Russian contingent also said it was now "ready to declare repayments" of some $600bn of commercial debt, including $200m owed to UK companies, most of which is a legacy of Soviet days.

Claes boosted by success of Belgian EU presidency

By Lionel Barber in Brussels

Mr Willy Claes, who is virtually certain to be the oext secretary general of Nato, is a hard-driving politician with more than 20 years' experience in the Belgian government, latterly as foreign minister. Though Mr Claes has little direct experience of military affairs, he probably owes his present job to a highly effective performance duriog the Belgian presidency of the European Unioo between July and December 1993.

Despite an occasiooal short fuse, Mr Claes coaxed and cajoled his colleagues into compromises oo trade, budgetary matters and institutional affairs whicb reinvigorated the EU after the debilitating debate over ratification of the Maastricht treaty.

"Willy Claes is an exceptiooally talented individual. He is opeo-minded, efficient and well organised, with strong administrative skills," says Mr Karel Van Miert, the Belgian commissioner for competition policy in Brussels.

Born io Hasselt, io north-east Belgium, Mr Claes was initially torn between following in his father's foosteps, as a professional musician, and launching a career in politics.

He entered parliament at the age of 30 and became one of Belgium's youngest ministers,

Claes: hard-driving

in 1972, at the age of 34.

Often tipped as a poteotial prime minister, Mr Claes, 55, would probably never have made it to the top in Belgium. Like Mr van Miert, he comes from the Flemish Socialist party, the minority partner in the coalitioo government.

Some suspect that Mr Claes's appointment to succeed Mr Manfred Wörner was indirectly boosted after the Belgian prime minister Mr Jean-Lnc Dehaene, the Franco-German favourite to succeed Mr Jacques Delors as president of the European Commission, fell victim to a British veto last summer.

But other observers believe that Mr Claes stands as a serious contender for the top Nato post in his own right, having proved to be a "safe pair of hands" as foreign minister for the past 2½ years handling many tricky diplomatic problems not only in Europe but also in the former Belgian protectorates of Rwanda and Burundi and in the ex-colony of Zaire.

Though a long-standing advocate of deeper European integration, Mr Claes is also an avowed Atlanticist. As ha remarked in a speecb to Chatham House in London last February, Europe's strategic defence "will remain in Nato". But be also noted increasing US enthusiasm for Europe taking greater responsibility for security issues on the continent. At one point, he asked: "Why not make peacekeeping into a common European policy?"

His initiative stemmed partly from his own disillusion with the EU's failure to deal more decisively with the crisis in former Yugoslavia in its early stages, though he points to the significant humanitarian aid effort which the Union has since mounted.

In future, Mr Claes will need all his negotiating skills – as well as his musical instinct for harmony – to succeed in bringing all of Nato's partners together.

Chronic weakness of liberal FDP raises doubts about Bonn election outcome

Bavarian poll may point to hung parliament

By Quentin Peel in Bonn

The outcome of Germany's general election in less than three weeks still hangs in the balance, in spite of a clear victory on Sunday for Chancellor Helmut Kohl's closest allies in the state of Bavaria.

The chances of a hung parliament, with a grand coalition between Mr Kohl's Christian Democratic Union (CDU) and the oppositioo Social Democratic party (SPD) the only means of forging a clear majority, remain real, according to most political analysts.

One key element in the calculation is the chronic weakness in the polls of the Free Democratic party (FDP), the junior partner in Mr Kohl's coalition, which slumped to only 2.8 per cent of the vote in Bavaria, losing all its seats in the state parliament. The setback was the sixth successive time the liberal, free-market party has failed to gain the required 5 per cent suppori needed to win seats in a state election.

Several recent opinioo polls suggest that the recovery of Mr Kohl's CDU and its Bavarian sister party, the Christian Social Union (CSU), may have peaked at a combined vote of around 41 per cent, with the SPD still picking up a little support at around 35 to 37 per cent.

The other unknown factor is the performance of the Party of Democratic Socialism (PDS), the former East German Communist party, which could win more than 30 places in the German Bundestag and hold the balance of power, thanks to pockets of strong support in several east German cities.

Leaders of the SPD insisted yesterday that the race remained wide open, while Mr Kohl himself warned his supporters against any tendency to think it was already won.

"It would be quite wrong to think that the electioo is already decided," he said after a meeting of his party executive in Bonn. "We must fight for every vote. We have no votes to lend or to give away."

The chancellor remains convinced that the FDP will be represented in the Bundestag, in spite of repeated weakness in state elections, because of the long-standing traditioo of

Bavarian premier Edmund Stoiber of the CSU shakes hands with Renate Schmidt, leader of the Bavarian SDP, which improved its share of the vote, before a Munich TV interview yesterday AP

German voters giving it their decisive secood votes, io favour of a party list rather than an individual candidate.

The latest polls still give the FDP around 8 per cent support on the basis of second votes, which should be just enough to give the ruling coalition a majority after October 16.

Mr Klaus Kinkel, the FDP party leader and foreign minister, was putting a determinedly brave face on the party's plight yesterday, before he flew off to the UN General Assembly. "We are oot giving up," be said.

The opposition Social Democrats, however, are clearly gunning for the FDP vote, and hope the series of disastrous defeats will persuade electors that even a second vote for the FDP is scarcely worthwhile. "Our aim is to make ourselves so strong that it will be impossible to rule without us," Mr Günter Verheugen, SPD general secretary, said yesterday.

The final result in Bavaria gave the CSU an absolute majority, with 52.8 per cent, down from 54.9 per cent in 1990, while the SPD improved its vote by 4.1 points to 30.1 per cent. Apart from the FDP, the main losers were the far-right Republicans, who scored only 3.9 per cent in the state where they are supposed to be strongest.

Belarus looks for a way ahead

By Anthony Robinson, recently in Minsk

Mr Alexander Lukashenko, elected president of Belarus two months ago, has been furiously rethinking the country's future direction since President Boris Yeltsin refused to burden Russia with the costs of a new economic and currency union with the former Soviet republic.

Election promises, including a pledge of full employment and the wholesale sacking of "corrupt" officials have beeo thrown out the window following the collapse of the main plank in Mr Lukashenko's election campaign, a close Russian connection. Instead, he has imposed steep rises in the price of bread, milk and vodka to cut the burden of subsidies and block the haemorrhage of artificially cheap foodstuffs to Poland and Russia.

Last week he announced that the Belarus rouble, called the Zaitsev (hare) and nicknamed the "Belarus bunny", would be the sole legal tender, reinforcing the position of Mr Stanislav Bogdankevich, the proreform president of the Belarus central bank who was one of the officials threatened with dismissal during Mr Lukashenko's election campaign.

Instead of the promised bailout from Moscow the "programme of economic priorities" outlined by the president last weekend emphasises self-help and painful macroeconomic stabilisation. The main aim is to reduce monthly inflation from around 30-40 per cent to 10-11 per ceot by the end of the year and 7 per cent a year later.

Many details still have to be fleshed out in a programme which was put together mainly by Soviet-era bureaucrats. Mr Vladimir Karyagin, president of the Belarus Union of Entrepreneurs, complains: "The programme has no strategic view with far too much emphasis on cootrols and not enough oo incentives."

Mr Karyagin says resolving the country's economic problems requires encouragement for a privete sector which hardly existed four years ago and remains small.

The advocates of more private enterprise believe they have three cards np their sleeve. The first is Mr Lukashenko's desperate need to succeed. The 40-year-old former army political commissar and collective farm manager waged an unashamedly populist electioo campaign which swept away Mr Vyacheslav Kebich, an old-style communist apparatchik. Bnt now he has to deliver higher living standards without the hoped-for Russian economic assistance.

The second is tha presence in Minsk of representatives from the intarnational financial institutioos whose much oeeded financial assistance and technical advice is conditional on the government keeping to policy targets yet to be agreed.

In many ways the most convincing card is the example of its oext-door neighbour – Poland. But Mr Karyagin says: "Wa can't just copy the Balcerowicz plan [the shock therapy stabilisation programme named after the former Polish finaoce minister]. Poland always had private agriculture and a large and influential diaspora and Poles always had a few dollars in their pockets. They also received large-scale western financial aid. But the fact that the Poles took certain policy decisions and received tha results that we can see helps us enormously in arguing with our bureaucrats."

Many Belarussians still find it hard to imagine an independent existence for this flat land of 10m people with no naturally defined borders, which was totally integrated into the Soviet economy. Most of the big military plants which produced over 70 per cant of industrial output are now idle, while the country remains dependent on Russian oil and gas, apart from minimal local oil production of around 2m tons annually.

In an interview inside the Stalin-era government offices, still graced outside hy an enormous jet-black sculpture of Lenin, Mr Lukashenko put the emphasise on self-help but also appealed for more foreign investment. He has choseo Mr Vladimir Sopronov, a young parliamentary deputy, as the head of foreign economic policy co-ordination, and promised to take personal charge of land sales to foreign investors "to protect their interests and make sure they don't have to pay bribes to corrupt officials".

The aim oow is to profit from the country'a skill base and excellent transport infrastructure by pursuing macroeconomic stabilisation policies which have laid the basis for economic prosperity and national sovereignty oot only in oeighbouring Poland but also in Hungary and the Czech Republic.

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EUROPEAN NEWS DIGEST

Estonian PM loses office

Estonia's prime minister, Mr Mart Laar, was swept from office yesterday in a vote of no-confidence. After an emotional two-hour parliamentary debate in which Mr Laar was accused of repeatedly lying to the people, deputies voted by 60-27, with one abstention, for the radical pro-marketeer to leave office. "The credibility of the prime minister has sunk below the critical line," said Mr Jaan Kaplinski of the opposition Centrist party.

Deputies accused Mr Laar, a member of the conservative Fatherland party who has held office since October 1992, of destroying public confidence by deceit, high-handedness and promoting secrecy in government. Mr Laar had won the backing of western financial organisations with a tough line on spending and budget policies. He will remain in office until a new candidate is chosen in talks among parliamentary parties in the next few days. *Reuter, Tallinn.*

Sofirad chief Dutaret quits

Mr Jean-Louis Dutaret yesterday resigned as head of Sofirad, a French state holding company with media interests, following a judge's decision last week to investigate his involvement in the Carignon affair. The judge is trying to establish a possible link between Lyonnaise des Eaux bankrolling a newspaper supporting Mr Alain Carignon's re-election as mayor of Grenoble and the utility's subsequent gain of the city'a water contract. Before heading Sofirad last January, Mr Dutaret was a close aide to Mr Carignon, who resigned as communications minister in July to contest the same charge of being "in receipt of misused corporate funds" as levelled against Mr Dutaret. Meanwhile, pressure is growing on Mr Gérard Longuet to resign as trade and industry minister in the row over improper funding of his holiday house. *David Buchan, Paris*

Russian proposal for Caspian

Russia yesterday proposed a multinational co-ordinating committee to decide on the exploitation of oil and gas reserves in the Caspian Sea, following a series of objections from Russian ministers to the $8bn (£5bn) oil production deal signed last week between Azerbaijan and a group of big foreign oil companies to drill in the Azeri section of the Caspian. Mr Yuri Shafrannik said that Kazakhstan and Turkmenistan, two other former Soviet states bordering the Caspian, had already agreed to establish the committee. Both Mr Alexander Shokhin, the Russian deputy prime minister for the economy, and Mr Andrei Kozyrev, the Russian foreign minister, have said the deal must not go ahead because of the ecological damage it would cause to the Caspian sea – where the best caviar in the world is to be found. Mr Shokhin has called for the resignation of Russian officials who agreed to the deal. The consortium of oil companies includes British Petroleum, Statoil, Amoco, Unocal, Pennzoil, Ramco, McDermott, Turkisb Petroleum and Russia's Lukoil. *John Lloyd, Moscow*

Kravchuk elected as MP

Former President Mr Leonid Kravchuk has won election to parliament, just three months after being narrowly defeated in his bid for a second term as Ukraine's leader, election officials said. Mr Kravchuk, a former Communist party chief, received 87 per cent of the votes cast in Sunday's by-election in a two-candidate race. His challenger for a seat in the 450-seat parliament, Mr Nikolai Novosilsky, got only 10 per cent of the votes, said Mr Valentin Kirnenko, deputy chairman of the Central Electoral Commission. Mr Kravchuk, 60, was Ukraine's first president after the former Soviet republic gained independence in 1991, and was defeated in the presidential election by former prime minister Leonid Kuchma. He says he intends to establish his own political party and rebuild his power base. *AP, Kiev*

200 Kurdish rebels killed

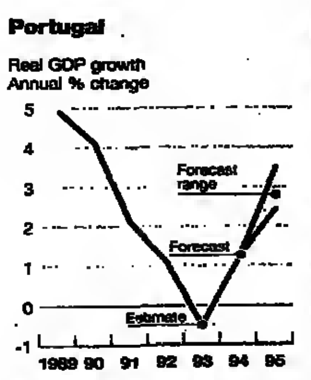
More than 200 people have died in eastern Turkey since government security forces began a "final push" late last week against mountain strongholds of separatist Kurdish guerrillas, according to diplomats in Ankara. Government officials say that 16 Kurdish fighters died in the eastern province of Tunceli and that the operations ended at the weekend. But a European diplomat put the death toll among the guerrillas alone at 200 and said security forces would continue their sweep to Turkey's borders with Iran and Iraq to stamp out the estimated 3,000 rebels based in the region. The government has said it will allow six pro-Kurdish former MPs now facing treason charges to stand for election to parliament again. *John Barham, Ankara*

Strike halts Portuguese trains

Portugal's international and high-speed inter-city trains were halted yesterday as railworkers walked out on a five-day strike over working conditions. All rail transport between Portugal and Spain will be cancelled for the week, as well as high-speed service between Portuguese cities, the state rail company CP said. There are no alternative arrangements. Inter-city travellers will be rerouted to the regional lines, in many cases doubling the travel time. The walkout is the third in two months by CP workers, who are demanding their work week be reduced from 42.5 to 40 hours and their contract conditions be improved. Some 270 trains scheduled for the week – including 80 international trains – have been cancelled because of the strike. *Reuter, Lisbon*

ECONOMIC WATCH

Portuguese recovery forecast



Source: OECD, Portuguese Planning Ministry

Portugal forecasts GDP growth of 2.5-3.5 per cent in 1995, marking a firm recovery from negative growth of 1.0 per cent in 1993 and an expected 1.2 per cent expansion this year. Latest planning ministry projections, drawn up as a framework for the 1995 hudget, foreeee growth being led by an increase of more than 10 per cent in exports and a rise of 4.0 per cent in investment, thanks to a steep increase in government spending. Government investment is forecast to increase by 15 per cent to Es702.1bn (£2.8bn), of which European Union funds will account for 45.4 per cent. Most government investment will be channelled into in public works, followed by education, agriculture and health. The government expects inflation in 1995 to be 3.5-4.5 per cent. *Peter Wise, Lisbon*

■ EU industrial production in June rose 5.1 per cent from a year earlier, the EU's statistics office said. In Msy, industrial production rose 4 per cent year-on-year. Seasonally adjusted production in the quarter to June was up 2.2 per cent from the first quarter of the year. The rises are mainly a result of increased demand for capital goods and consumer durables.

■ The Dutcb index of manufacturing orders in hand rose to 104.6 in August from 103.7 in July, the Central Bureau of Statistics said. Meanwhile, it reported the Danish August wholesale prices were unchanged from last month and were up 1.3 per cent from August 1993.

■ Portugal's industrial production index rose 1.9 per cent in June, after staying flat in May following a 2.0 per cent fall in April, the National Statistics Institute said.

■ Germany's capital account surplus rose to a provisional DM10.1bn in July from a revised surplus of DM6.1bn in June, the Bundesbank said. A provisional balance of payments surplus of DM1bn in July was reported compared to a surplus of DM4.4bn in July.

Measuring up for a wider EU

Lionel Barber on an emerging strategy for Union enlargement

After several falss starts, the European Union is developing a strategy to incorporate the former communist countries of central and eastern Europe.

A glimpse of the new *Ostpolitik* appeared last week in Paris wben France and Germany called upon the European Commission to produce a white paper next apring setting out a plan for enlargement to the east.

The Franco-German proposal horrowed heavily from an existing Commission paper in Brussels, but the debate about "widening" the Union is moving away from theoretical musings to the identification of practical obstacles to membership.

These remain formidable. Even the most advanced candidates – Hungary, Poland, the Czech Republic and Slovakia – have only a third of the per capita income of the Twelve. Under current rules, membership for these four alone would require a 75 per cent increase in EU spending on agricultural subsidies and aid to poorer regions, according to a recent study by Professor Richard Baldwin of the Centre for Economic Policy Research.

Brussels has therefore concluded that it is better to defer an acrimonious debate about farm reform and structural funds. No doubt this will make it much more difficult to carry out the revolution in EU common agricultural policy which many believe is the pre-requisite for tbe next round of enlargement; but Commission officials favour putting the onus on the east Europeans to adapt in order to prepare for membership, perhaps around the turn of the century.

The latest idea is to emulate Lord Cockfield's celebrated 1985 white paper which set out a list of measures for the (then) European Community to complete the single market by 1992. Brussels would map out a road for integration covering, say, the difficulties of adapting its economic, banking, legal and transport systems to EU norms.

This process is the logical extension of trade liberalisation which began, grudgingly, in 1991 and has since accelerated. Free trade in industrial goods will take effect in 1995 (steel in 1996 and textiles in 1997). But numerous non-tariff barriers continue to exist.

One spproach would be to list up to 150 measures for the east Europeans to adopt to make their legislation EU-compatible. In return, the EU would phase out anti-dumping measures and thereby extend the single market eastwards, a Commission official said.

Germany, which holds the rotating EU presidency, is also pressing to extend ministerial contacts with the central and eastern Europeans in official council session. Despite misgivings among some member states that this amounts to "membership by the backdoor", Germany has persuaded its partners to hold an important session on October 31 in Luxembourg.

Earlier this year, France warned Germany not to push too fast on enlargement. French officials were irritated hy German pressure tactics to wrap up accession negotiations with the Nordic countries and Austria; hut their hroader concern was that a premature, German-led drive to open the next round of enlargement to the East would weaken the Union and France's own position vis-a-vis Germany.

On the surface, the Franco-German tiff has resulted in tighter co-ordination. Germany, which hands over the presidency to France on January 1, is trying hard to keep its closest ally on board through joint planning sessions on eastern Europe.

In return, France has quietly accepted that potential EU enlargement must embrace the EU candidates (Poland, Hungary, the Czech and Slovak republics, Bulgaria and Romania) as well as the three Baltic states of Latvia, Lithuania and Estonia, and Slovenia.

A French official says that France has come round to the view that enlargement to the East is inevitable; hut the question is bow to carry it out without weakening the Union, or diluting it to a free trade area. Hence the recently launched debate on bow best to organise a Union of between 16 and 25 members, and Franco-German noises in favour of a "hard-core" of committed integrationists.

Polisb and Hungarian officials say they welcome this debate on "variahle geometry" because it makes East European aspirations to become members of the EU more credihle. But they are keeping a close eye, too, on their short-term interests, specifically the package of measures which may emerge from the EU heads of government summit in Essen in December.

Among the priorities are a firm calendar for starting accession negotiations and observer status for the intergovernmental conference to review the Maastricht treaty. The East Europeans also hope to see favourable adjustment of agricultural levies as a result of the impending implementation of the Uruguay Round. No one – at least in eastern Europe – is taking anything for granted.

Germany plans new ship to help rebuild its navy

By Michael Lindemann in Bonn

The German armed forces are planning a new troop transporter and floating headquarters which would, for the first time since the second world war, give them a naval presence worldwide.

Since 1945 the navy, which is much smaller than tbe army or air force, has had the capacity to operate mainly in territorial waters and has had to make do with equipment which dates from the war.

Plans for tbe new ship, referred to hy the defence ministry as the All Purpose Ship, were drawn up after the emharrassing situation last year when Germany did not have suitahle ships to withdraw its troops from Somalia, where they were part of the United Nations forces.

Sources also suggest the vessel is designed to show that Germany is taking its new international responsibilities seriously, following a decision hy the constitutional court in July allowing German troops to be deployed on missions worldwide.

The ship would he able to transport up to 700 soldiers, lighter combat vehicles and about six helicopters. It will be large enough to be used as a floating command centre for operationa overseas and will also have hospital facilities.

"We are trying with as few ships as possihle to create as many options as possihle," the Defence Ministry said.

The ministry would not confirm how much the ship will cost hut an article in Der Spiegel magazine suggested that about DM500m (£205m) would be spent, involving a variety of unspecified savings to keep within the overall defeoce hudget, which has been set at DM47.9hn for the next four years.

Sources indicate the ship would have a displacement of around 20,000 tonnes and would he operational hy the year 2000.

The navy will also order 15 new corvettes which could be used alongside the All Purpose Ship. However, the ministry emphasised that the corvettes, which will come into service around 2005, would replace the 38 torpedo boats now in use: "Altogether we will he a smaller hut more modern navy."

Unilever, UK bank reshape holdings

Two groups plan Nigeria divestment

By Paul Adams in Lagos

The UK-Dutch consumer group Unilever and Britain's Standard Chartered Bank are divesting from their Nigerian affiliates over the next month with two of the largest ever share issues coming to the country's flagging stock exchange.

Both companies emphasise their decisions are dictated by worldwide strategy, not by the recent political instability and economic downturn in Nigeria. But sales of their assets in UAC Nigeria and First Bank of Nigeria respectively coincide with low investor confidence in Nigeria's economy.

Both cases underline the problems created by the 40 per cent statutory limit on foreign shareholdings in manufacturing, energy and banking companies in Nigeria.

UAC evolved from a pioneer trading company in west Africa into Nigeria's largest manufacturing and distribution conglomerate, with the 60 per cent Nigerian-owned shares held by individual and institutional investors. Unilever will keep its 40 per cent share in UAC's Tractor & Equipment division (the Caterpillar dealership), which is to be a separate joint venture, and acquire all the shares in the consumer goods division.

These and the cash from the sale of the rest of its shares will be re-invested in the newly formed Unilever Nigeria. Unilever's UAC holding was valued last December at about $46m at the official exchange rate of N22 to the dollar. Since then, the naira's parallel market rate has weakened from around N48 to N75. After tax, profits in 1993 came to N432.3m ($19.6m), an increase in naira terms from 1992 of 29 per cent, below the rates of inflation and devaluation. Inflation is running at nearly 70 per cent and the naira's sharp devaluation has eroded domestic demand and put pressure on profits.

Standard Chartered agreed yesterday to reduce from 38 to 9.9 per cent its stake in First Bank of Nigeria, which last year was one of two quoted companies in Nigeria to make pre-tax profits over N1bn.

The shares will be sold via a public offer beginning next month. Last year's privatisation of the Nigerian government's majority stake made Standard Chartered the biggest shareholder, but did not allow it to acquire e controlling interest. Under UK law this made the group responsible to the Bank of England for the management of the bank although it lacked a controlling interest, unless it cut its stake to less than 10 per cent.

The sale of the government's majority holding in Nigeria's other leading commercial bank, United Bank for Africa, to Nigerian private investors has mede another foreign bank, Banque Netionale de Paris, the largest shareholder without a controlling stake.

Sri Lanka moves on Airbus probe

The Sri Lankan government has appointed a former Supreme Court judge to investigate the purchase of five aircraft worth $643m (£407m) by Air Lanka, from Airbus Industrie, the Enropean aircraft maker, writes Mervyn de Silva in Colombo.

Mrs Chandrika Knmaratunge, the prime minister who took office a month ago, has asked Mr O M Seneviratne to head e commission of inquiry into the contract, which was signed in August 1991, under the rule of the previous United National Party government.

The purchase has been criticised for being secretive and too costly.

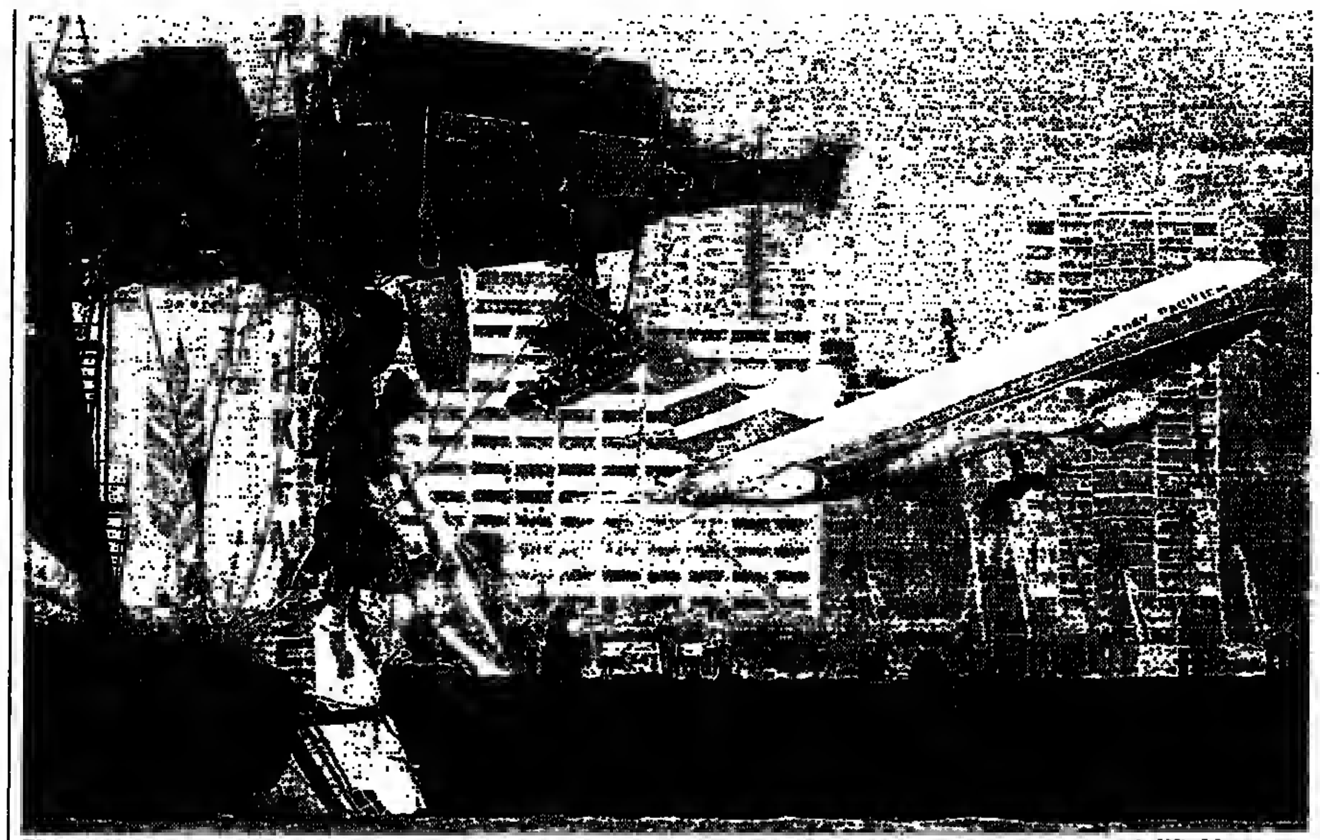
The contract is the largest of several transactions involving foreign companies which are being investigated after widespread allegations of financial irregularities.

Allegations of irregularities by members of the UNP government, which held power for 17 years until its general election defeat last month, played a big role in the election.

Mrs Kumaratunge's victory was dne partly to her promises to root ont corruption.

Air Lanka originally contracted to buy five Airbus A340-300 jets - tbree to be delivered in 1994 and 1995, and two for delivery in 1998 and 1999. The orders ware placed amid controversy in Sri Lanka ebont whether scarce foreign exchange should be spent on the aircraft.

Whatever the inquiry finds, the newly elected government would find it costly to scrap the contracts because Air Lanka has paid e pre-delivery deposit of $74m.



The wreckage of a Hercules L100–30 transport aircraft (on left) which crashed into Hong Kong harbour last Friday is lifted by crane on to a barge next to the colony's airport as another aircraft takes off yesterday. Six Indonesian crew died in the crash Associated Press

HK 'needs to speed things up'

By Louise Lucas in Hong Kong

China and the government that will take over Hong Kong after Beijing regains sovereignty in 1997 would suffer if the work of the Joint Liaison Group (JLG), set up to oversee the detail of the handover, was not speeded up, Mr Chris Patten, the governor, said yesterday.

On the 10th anniversary of the signing of the Joint Declaration agreeing terms for Hong Kong's transfer, he said: "We are beginning to run out of time; the last meeting registered little progress. We've got to do better. Tha issues are complicated but mostly not political. But they are important. China and the SAR (post-'97 Special Administrative Region) will suffer if they are not resolved."

Echoing the words of Mr Douglas Hurd, UK foreign secretary, who visited the colony 12 days ago, Mr Patten urged an imaginative and patient approach, suggesting some tinkering with the existing machinery might be needed to attack the growing becklog of issues now with the JLG. "Douglas Hurd will want to discuss with Chine's Vice-Premier Qian Qichen whom he's meeting on Thursday, how we can get around some of these obstacles, how we can get the forward movement we need."

Last week's JLG talks were muddied by a deadlock on Hong Kong's badly needed ninth container terminal. China intends to veto the franchise. Other pressing issues on the JLG table cited by Mr Patten yesterday are freedom of travel and the local re-enactment and adaptation of some 800 laws and ordinances. Mr Patten used the occasion to commend the Joint Declaration, initialled on September 26, 1984, and to enumerate the milestones reached by Hong Kong since then.

These were: a doubling of GDP in real terms every decade (Hong Kong is today the world's eighth biggest trading economy and has e per capita GDP of $20,000 (£12,667) and a 15-fold increase in the capitalisation of the stock market.

"The Treety sets a clear framework for Hong Kong's future up to and well beyond 1997. No one pretends it is perfect, nor that it has dispelled every uncertainty. But imagine what Hong Kong would have been like without the Joint Declaration, as 1997 loomed ever larger and the uncertainties grew."

Algerian radical leader shot dead

Algerian security forces shot dead Mr Cherif Gousmi, leader of the country's most feared fundamentalist group, the Islamic Armed Group (GIA) in Algiers yesterday, Francis Ghiles writes.

The GIA leader whose *nom de guerre* was Abou Abdallah Ahmed had reiterated his movement's opposition to any dialogua with President Liamine Zeroual after two leaders of the banned Islamic Salvation Front (FIS), were transferred from jail to house arrest two weeks ago.

The GIA has claimed responsibility for the murder of most of the 60 foreigners killed in Algeria in the past year, and has burned down more than 300 schools and threatened to murder teachers working for "an impious state".

Its campaign against intellectuals claimed another victim yesterday when a lecturer at the Economics Faculty of Oran, Mr Abderrahmane Fardeheb, was shot and injured.

Analysts agree that the violence unleased by the interruption of elections the FIS was poised to win in January 1992 has cost 28,000 lives, two-thirds lost since last November after three French consnlar officials were kidnapped.

Inflation jumps in South Africa

South Africa's infletion rate jnmped to 9.4 per cent in August, well up on the 8.2 per cent recorded in July and over 2 per cent higher than the 7.1 per cent reached in April, Mark Suzman reports from Johannesburg. The figures are the latest in a series of worrying economic statistics for the Sonth African government, which said et the weekend that the trade surplus hed slumped to R288m (£51.6m) in August, down from R1.65bn in July, and the lowest in nearly two years.

The higher rate of imports, at R8.07bn compared to R6.68bn in July, was partly responsible for the rising inflation rate, bnt tbe main culprit was food inflation, which rose at annualised rate of 19.7 per cent. The South African Reserve Bank yesterday raised its key bank rate to 13 from 12 per cent.

Chief may face assault charge

Chief Mangosuthu Buthelezi, Sonth Africa's home affairs minister and Inkatha Freedom Party leader, could fece an assault charge after barging into a Durban television studio on Sunday night and forcing e political opponent, Prince Sifiso Zulu, off the air, Mark Suzman reports.

Chief Bnthelezi, who had been watching the programme in an adjoining studio, epparantly took exception to some remarks by Prince Zulu, and, with bodyguards, forced his way into the interview room. Prince Zulu said he intended to press charges against the chief. The entire incident was carried live on the main current affairs programme.

Keating has little doubt Australia will be republic

By Nikki Tait in Hobart, Tasmania

Australia's prime minister Paul Keating has "little doubt" his countrymen will endorse a move to make Australia a republic and sever its ties with the British Crown, he said in Hobart yesterday.

Opinion polls suggest that a majority of Australians still support the current constitutional structure, albeit by e declining margin.

But Mr Keating told the conference of his ruling Labor Party in Hobart that "effectively we have handed the baton of the republic to the Australian people.

"I am in little doubt that they will carry it across the line.

"A healthy debate is now under way," he continued. "We want to see the idea of the republic become clearer in the public mind.

"As it becomes clearer, the resolve will grow stronger."

The Australian Labor party subsequently confirmed its support for any changes necessary to make Australie an independent republic by the year 2001.

In a wide-ranging keynote address to the ALP conference, Mr Keating placed much emphasis on the importance to Australie's future of the "information superhighway" and on the increasing trade links with the Asia-Pacific region.

The meeting of the leaders of the Asia-Pacific Economic Co-operation forum in November, he said, was "of profound importance to Australia's exporters, farmers and workers. No one can estimate what even modest success with Apec might be worth."

■ The necessary ALP approval for proposed privatisation of the 22 airports run by the Federal Airports Corporation is likely to be forthcoming today after hectic backroom dealing in Hobart.

However, the airports will probably be sold on a piecemeal basis rather than as a group, and on 50-year leases.

There is also likely to be a cap on foreign ownership of 49 per cent.

NEWS: INTERNATIONAL

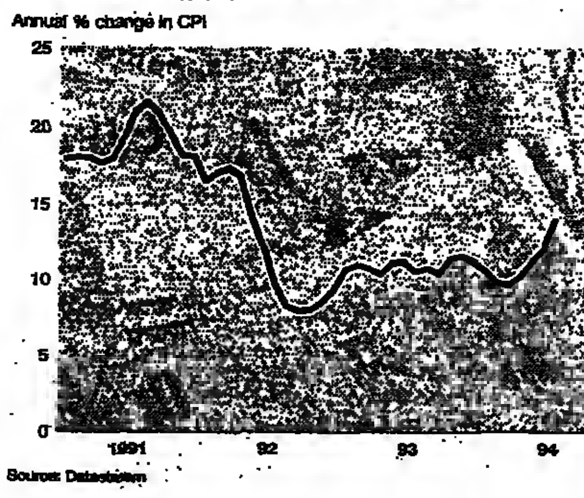
Protests greet Israel's new interest rates

By David Horovitz in Jerusalem

The Bank of Israel's decision to raise interest rates by a sharp 1.5 percentage points, in what looks like an increasingly desperate effort to rein in surging inflation, bas brought a chorus of disapproval.

The stock market haa dipped, the Histadrut labour federation has lamented the rise workers face in mortgage repayments, the Manufacturers' Association has warned of looming recassion, and Mr Micha Harisb, minister for trade and industry, has spoken of a dangerous lack of co-ordination hetween the central hank, the Finance Ministry and the various other economy ministries.

Israeli inflation: way above the target



Professor Jacob Frenkel, governor of the Bank of Israel, is unmoved by the protests. He has raised interest rates no fewer than seven times since last Novemher, including another 1.5 percentage point increase only a month ago. He has given no firm assurance that this week's rise, to 15.5 per cent, will be the last.

The government had set a target of 8 per cent for inflation in 1994, and one of 8-11 per cent for 1995, he notes. In reality, the 1994 rate is running at about 14.5 per cent. If the 1995 goal proves unrealistic, he says, "it will really undermine the credibility of the government's economic policy".

At the back of Prof Frenkel's mind lies the memory of the early 1980s, when Israel'a annual inflation rate soared to 450 per cent and the tben finance minister suggested tying the Israeli shekel directly to the dollar.

A drastic austerity package finally pegged the triple-figure rate to below 20 per cent within two years, a package that included interest rates as high as 40 per cent.

Some experts believe that treatment is needed now. "If the bank really wants to fight inflation witb monetary policy," says Mr Ya'acov Sheinin of the Economic Models company, "interest rates would have to double."

But Mr Harish and Mr Dan Popper, president of the Manufacturers' Association, warn that the current 6 per cent-plus annual growth is already threatened hy the interest rate rises, noting the government has plenty of other weapons in its armoury. The problem is that tbe government has seemed reluctant to use them.

A key component in tbe inflationary spiral is the rise in bouse prices, propelled not only by local buyers, but by foreign investors keen to buy property in an Israel on the threshold of peace.

Cabinet meetings have been devoted to tackling the issue, committees have met, prime minister Yitzhak Rabin has pledged his trouble-shooting expertise. Yet, for all the proposals, no significant increase has occurred in housing starts. Mr Avraham Shochat, finance minister, admitted last weekend he could not see anything stemming the house price rises in the near future.

It is a similar story with fruit and vegetable prices, at present the leading factor in pushing up the monthly consumer price index. The Agriculture Ministry haa been resisting calls for import of cheaper produce, and only recently licences have been granted for limited imports of apples, pears and potatoes.

Mr Danny Gillerman, president of Israel's Chambers of Commerce, says the government is shooting itself in the foot, hy approving high public-sector wage settlements and, recently, price increases for phones and public transport.

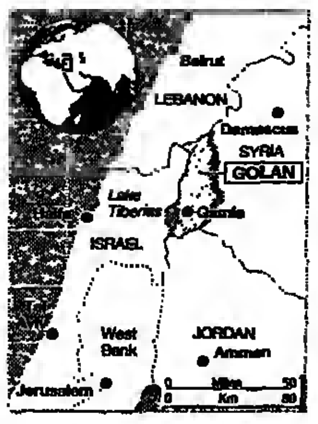
Overall, Prof Frenkel takes pains to emphasise the economy is in robust shape, with growth higb and unemployment falling. "But tbere are signs it may be overheating," a bank spokesman said yesterday. "Savings are down, credit is too readily available, private consumption is rising rapidly. The time has come for more restrictive monetary policies."

Prof Frenkel's prohlem is that interest rate rises are his only means of fighting inflation. To tackle it more effectively, he needs more co-operation from Mr Shochat and his cabinet colleagues.

Settlers prepare for Golan fight to the last

David Horovitz visits the site of most Israeli resistance to a deal to return the occupied Heights to Syria

It's a bad pun, but it seems to be working. "The keys to the Golan are in your hands," shouts the moustachioed salesman, proffering a cheap key-ring bearing a map of the Golan Heights on one side and the slogan "Peace *with* the Golan" on the other.



At 10 shekels (more than two £2) a time, the profit margin is healthy. And there's no shortage of customers. Well over 100,000 Israelis, have sauntered past the key-ring vendor in the past fortnight, along the dusty track that leads to the awning wbere a dozen Golan Heights activists are on bunger strike.

Stirred into action by a flurry of reports that Mr Yitzhak Rabin, the prime minister, is ready to give up the Heights in return for a peace deal with Syria, the hunger-strikers are becoming unlikely national celebrities, and their hilltop headquarters is an essential stop-off for all those who consider the mountainous Golan ridge essential to Israel's defence.

Until recently, Mr Rabin was of that opinion himself. Indeed, one of the most powerful propaganda weapons in the pro-Golan campaigners' armoury is a videotape of the prime minister at the height of his pre-election oratory two years ago, declaiming earnestly that, "It is inconceivable, even at a time of peace, to come down from the Golan." Recorded on a self-rewinding tape, the prime minister's stirring words boom out across the Gamla site, hour after hour, day after day, from a television on a mobile stand across the path from the key-ring salesman.

It was none other than Yitzhak Rabin who, as chief of staff, presided over the capture of the Golan in the 1967 Arab-Israel war and wbo later, as prime minister in the 1970s, encouraged many of tbe Golan'a 13,000 Jews to move here. And it was none other than Syria's President Hafiz Assad, then his country'a inexperienced defence minister, who relinquished the Heights.

Now Mr Assad is apparently prepared to make peace with his enemies in return for the precious land. While Mr Rabin is saying nothing, Mr Shimon Peres, his foreign minister, has as always, put the cards on the table.

"Complete peace is more important to Israel's security than the entire Golan," Mr Peres said at the weekend.

Mr Sammy Bar-Lev, the mayor of the Golan's main Jewish town, Katzrin, and one of the hunger-strikers, is disgusted by the turnaround. "They've always said Rabin couldn't take the pressure. Now here's your proof. Peres and the Americans have bludgeoned him into a deal. And he's capitulated."

Hardly plump at the best of times, Mr Bar-Lev looks almost emaciated, subsisting with his 11 colleagues on a diet of water and salt tablets, camped out on a hilltop in vicious heat that three electric fans are doing little to ameliorate. On Sunday, be collapsed and was bospitalised hut continnes to refuse food.

He says they have a clear aim and will fast for weeks if necessary to achieve it: blocking parliamentary approval for a Golan land-for-peace accord, by persuading several hawkisb members of Mr Rahin'a own Labour party of the validity of their cause.

Mere Knesset (parliament) approval, bowever, will not be enough. Having delivered that pre-election pledge, Mr Rabin recognises that be has no real mandate for a full withdrawal. So he has promised to hold a national referendum on the issue. And it is here that the Gamla protesters may have their most profound impact.

Opinion polls suggest that fewer than 50 per cent of Israelis favour even a partial pull-out. The visitors to Gamla – fed the legendary account of how a few tbousand Jews defied the Romans for years at this very site, before jumping to their deaths from a jagged hilltop – are having that anti-withdrawal aentiment reinforced.

In marked contrast to the noisy, but ill-supported campaigners against the autonomy deal with the PLO in the occupied West Bank and Gaza Strip, the tens of thousands of Gamla pilgrims are neither overwbelmingly religious nor right-wing.

Indeed, some of the strikers and many of their supporters are card-carrying members of the Labour Party. "Rabin isn't with us any more," says Yehnda Harel, a veteran Labour man wbo is one of those fasting, "but the Labour movement is. There is no other Labour movement."

In truth, many in Labour are besistant about leaving the Golan. But if Mr Assad were to make a Sadat-style trip to Jerusalem and declare a genuine desire for peace, a bealthy proportion in Mr Rabin's party and among the electorate at large would probably put their doubts aside. With that in mind, Mr Bar-Lev argues that the referendum should be held immediately – that it is "immoral" for Mr Rabin to promise an eventual vote "when the deal is all wrapped up".

"He'll play it so that to vote against the deal will seem like voting for war. It's unethical. It's not right."

But it is good politics. And it could well mean that, for all the thousands of supporters patting Mr Bar-Lev gently on the back and shaking tbeir heads at Mr Rabin's empty videotaped Golan rbetoric, the resistance at Gamla is destined to fail again.

Rabin lifts ban on West Bank settler homes

By David Horovitz

The Israeli government is lifting the freeze it imposed two years ago on building new bousing for Jewish settlers to the occupied territories.

Crown Prince Hassan: due to discuss peace treaty

Prime Minister Yitzhak Rabin has approved plans for the construction of almost 1,000 housing units at the settlement of Alfei Menashe, just inside the West Bank, adjacent to tbe narrow strip of central Israel where the country is just five miles wide. Building is set to begin in about six months.

Housing Ministry officials are said to be drawing up a list of several other settlements wbere they plan to construct new bousing.

Mr Marwan Kanafani, a spokesman for the PLO chairman, Mr Yassir Arafat, called the expansion plans a violation "in letter and spirit" of all Israeli-PLO peace accords.

He said Palestinian negotiators, due to meet the Israelis in Cairo next week to discuss the next phases of the autonomy process, would lodge an official protest.

Mr Oded Ben-Ami, a spokesman for Mr Rabin, defended the move, noting that Alfei Menashe lies only just across the "seam" that separates the West Bank from sovereign Israel.

About 130,000 Jews live in 140 settlements dotted across the West Bank and Gaza Strip.

Mr Rabin has little regard for what he calls the "ideological settlements", located close to Palestinian population centres. But be does value the security huffer provided by settlements around Jerusalem, on the Jordan horder, and along the western edge of the West Bank where Israel is narrowest.

Alfei Menashe falls into this last category, and the building plans suggest Mr Rabin is keen to reinforce buffer settlements in advance of an Israeli army withdrawal from much of the West Bank as the peace process moves forward.

On taking office in July 1992, Mr Rabin froze new settlement building, and approved tbe completion of fewer than half of the approximately 25,000 West Bank Jewish bousing units then in mid-construction. Those moves were crucial to the success of Israel-PLO autonomy negotiations.

He must be hoping, too, that the issue will not derail a meeting in Washington next week between Foreign Minister Shimon Peres and Jordan's Crown Prince Hassan, hosted by President Bill Clinton, at which the two reportedly plan to discuss the drafting of a full Israel-Jordan peace treaty.

Peres: concern not to derail talks with Jordan

Haiti plan by US for firmer control

By James Harding in Port-au-Prince

At the orders of a US Marine, a Haitian lays down his gun in Cap Haitien at the weekend Picture: AP

The US, settling into its second week of intervention in Haiti, yesterday outlined a plan to secure political institutions for the transition from military rule to the government of President Jean-Bertrand Aristide.

The plan – which includes buying civilian-held weapons from today, a guarantee to ensure security at the parliament tomorrow, and the reinstallation of the elected mayor of Port-au-Prince on Thursday – is an indication of US confidence that, after a week of evolving operational procedures, it is now in control.

The homecoming of 221 refugees, who had been at the US naval base of Guantánamo Bay in Cuba, was also seen as an indication that the US presence had allayed popular fears of political violence in Haiti.

A month-long purchasing of civilian-held weapons was expected to start today, in an attempt to ensure public safety and to minimise the dangers of recrimination in a divided society. The US was offering to buy handguns for $50, semi-automatic rifles for $100, automatic rifles for $200, machine-guns and artillery for $300 until October 25.

The US mission in Haiti has set as a priority the disarming of the many self-appointed police auxiliaries, militia and nationalists who have styled themselves on the ruthless Tonton Macoutes political force of the Duvalier dictatorship. US army officials would not comment on whether the voluntary sale of weapons would be followed by a campaign of force to disarm Haitian citizens.

US officials yesterday pledged to protect the 24 pro-Aristide parliamentarians who have been in exile in the US or in hiding in Haiti. Parliament will reconvene tomorrow, following President Aristide's decision to convena tha assembly so that it mayx draw up and vote on an amnesty law requested by the transition agreement.

The absence of pro-Aristide deputies, who have feared police violence if they attend parliament in the capital, has meant the assembly has not achieved a quorum for months.

Counting on the Americans

James Harding finds Haitian business nervous about Aristide

In Haiti, how you count money depends on who you are.

In the slums of Port-au-Prince, the street vendors tend to give prices in gourdes, the national currency. At the restaurants and bontiqnes of Pétionville, the affluent town in the hills above the capital, prices come in Haitian dollars – a fictional currency but a confusing shorthand for five gourdes.

The different languages of money are more than just an illustration of the disparity of wealth in Haiti. The dollar, so called, dates back to the last US occupation, from 1915 to 1934, when the Americans guaranteed the Haitian currency at five gourdes to the US dollar. Since then, the gourde has been devalned and the guarantee has slipped.

Bot the Haitian business community – whose power is in the hands of a reclusive, fractious group of commercial families – may be hoping that the US again takes a position as guarantor of Haiti's economic stability.

The co-operation of these economic barons with US forces and thair attitudes to the return of President Jean-Bertrand Aristide will be critical in the effort to restore democracy.

Few in the business community relish the prospect of Aristide's return. Many remember the thousands on the street and the speeches inviting the poor to take what was rightfully theirs from the wealthy, during the seven months the elected president inhabited the presidential palace.

Even though Mr Olivier Nadal, secretary-general of the Haitian Chamber of Commerce and Industry and president of his family company Nadalsa, has seen his turnover contract from $25m (£16m) to $5m and his workforce shrink from more than 500 to less than 100, he is not sure that the lifting of the embargo compensates for the restoration of tha populist leader. "Lifting the embargo is for sure good, but we need security in and around my factories, security to invest in my land. Aristide never gave us that."

While some people may fear President Aristide's populist credentials, many hope that three years in Washington and a return facilitated by the US will have tempered his left-wing radicalism.

"The President can do great things for this country," explains Mr Gregory Mevs, one of the most powerful businessmen in Haiti. "He is like Mao Tse-dong, a great leader, but he needs a good Chou En-lai, a good mandarin to guide him. Maybe it'll be the US."

Mr Johnny Brandt, a businessman whose riven family's interests stretch throughout the Haitian economy, strikes a common note of *mea culpa* and acknowledges the responsibility lies with people like him. He is "scared not knowing what Aristide is going to do."

The baronial class is made up of several dozen families, most of them mulatto. The established grandees are still thought to hold the keys to stability and development in Haiti. None is more influential than the Brandts and the Mevs.

The Brandt empire was founded on textile production, after O.J. Brandt, an immigrant from Germany with Jamaican connections, built the first textile mill in Port-an-Prince in 1946. The family has broken up and its business has since diversified to include an edible oil refinery, poultry production, assembly plant leasing, retailing and agricultural production.

The Mevs control another big wedge of the economy, including a monopoly on sugar trade and production, shoes, plastics and detergents manufacture, a downtown industrial park and recent infrastructural developments on the quayside in Port-au-Prince and Gonaïves.

Both are engaged in leasing agreements with the US army. Many have pointed out the irony of such co-operation, whereby the US stations its forces and supplies in Mevs and Brandt facilities. The families were understood to have been among the financiers of the 1991 coup which ousted Aristide and have since been powerful lobbyists in Washington to prevent his return.

However, US commanders have clearly recognised that they would ostracise such powerful interests at their peril. The Mevs' Terminal Varreux development, a port facility and 43m-gallon petrol storage station, has become the third most important stategic position for the US army in a country where the embargo has forced petrol prices up to nearly $20 per gallon.

If it is not surprising that the US should do deals with powerful interests, it is in character for the leading families to link with the ascendant authority in Haiti. The Brandts and the Mevs built their businesses into empires during the three decades of Duvalier rule and have survived the seven years of turmoil since with delicate and monied diplomacy.

Mr Claude Deschamps, who employs 200 people in his schoolbook and paper production facility and is related by marriage to the Brandts, believes an active role and a low profile are the ingredients for commerical longevity in Haiti's polity. "The business sector prefers to work in the shadows, in a place where politics is unstable, if you put your face up front you're going to get punched in the face," he says.

The ability to put a positive gloss on all political developments is matched only by adaptability in business. The Mevs empire moved from import substitution in the 1970s into export production, and then, when the embargo cut off their raw materials, they turned their capital to infrastructural development.

The kilometre stretch from the docks to the Cité Soleil shanty is now a shipping terminal, shiny and empty, but sitting pretty as the US lifted unilateral sanctions against Haiti yesterday and the embargo is expected to follow.

Mr Mevs is very optimistic that, when that happens, not only he but all Haiti can expect substantial developments. He emphasises the preconditions for growth: proximity to the US market, preferential access under both the Caribbean Business Initiative and the EU Lomé agreements, cheap land and labour, and the hefty stake the US has taken in Haitian success.

To make the most of that, the institutions of the state, Mr Mevs argues, must be made compatible with a civil society.

A civil service of sinecures must be replaced with a functioning bureaucracy. The economy must be secured to allow for a democratisation of capital.

US warns Moscow on complacency

By Jurek Martin, US Editor, in Washington

Mr Lloyd Bentsen, US Treasury secretary, yesterday urged Russia to quicken economic reform while simultaneously taking additional steps to control inflation.

Speaking in advance of today's summit between presidents Bill Clinton and Boris Yeltsin, he said: "Russia's progress has been better than most people expected, hut the danger now is that complacency could lead to a severe setback."

Specifically, Mr Bentsen said that adoption of a tougher fiscal budget could release $8bn to $10bn (£5bn to £6.3bn) in westsrn assistance already promised at the G7 summits. Pegging the rouble on the foreign exchange markets "would bolster market confidence by delivering an effective $6bn currency stabilisation fund".

"Let me be clear," he went on, "our support policy has been successful because our lending is conditional. For Russia to get all this money I've mentioned, it needs a bold economic reform programme."

Mr Bentsen was complimentary about Russia's political and economic achievements. He noted that inflation was down to about 5 per cent a month from more than 20 per cent a month last year; that real interest rates were now positive, real incomes rising, not declining; and that 50 per cent of gross domestic product was now in privatised hands.

But Russla, he went on, "must finish the privatisation job and not get stuck halfway". More companies needed to be sold and more land released from state control.

"In the long run our relationship must be based on trade and investment, not aid," Mr Bentsen maintained. US assistance approved by Congress is due to fall next year to $850m from the $2.5bn of 1993-94.

Ths Clinton administration is broadly satisfied with the present state of relations with Russia, although nervous about political developments over which US inflnence is marginal at best.

Rifts with Moscow over the former Yugoslavia have been carefully avoided so far, throngb strong Russian involvement in the Bosnian "contact group". The US worked hard to help resolve the difficult issue of the status of Russian military and civilians still in the Baltics, and has tacitly acknowledged Russian hegemony over some former Soviet satellite states, such as Georgia.

At the same time, Nato's "partnership for peace" programme has seen the first joint exercises between Russian and western forces. Last week President Clinton ruled out further reductions in the US nuclear arsenal until cuts already agreed with Russia had been implemented, but the US is likely to remain open to further Russian initiatives.

But, as Mr Bentsen's speech was designed to make clear, the greatest positive contribution the US believes can be made to Russian domestic stability is greater integration with western economies.

"Ths present situation in Russia worries me," he said, "and I can't tell yon bow this will turn out. But I do know that to avoid slipping backward, Russia must take a bold step forward."

Guatemala trade hopes threatened by labour claims

By Nancy Dunne in Washington

Mr George Brown, the chairman of the Congressional working group on international labour rights, is opposing a Clinton administration proposal to ease pressure on Guatemala over its abuse of workers' rights.

Guatemala is a beneficiary of the Generalised System of Preferences, which provides duty-free entry of developing country products to the US market. US law requires that GSP benefits are not extended to countries which sbow no progress in improving their workers' rights. Guatemala recently reformed some labour practices, prompting Mr Mickey Kantor, US Trade Representative, to consider relaxing the US stance on the country.

He is due to make a decision hy by Friday.

However, the Organisation of American States last week heard testimony from three Guatemalan workers, who claimed that violence against trade unionists had increased in recent months.

In one alleged incident, workers occupied a plantation to draw attention to the firing of 62 workers who had been demanding the legal minimum wage of $2 (£1.25) a day.

They were forcibly evicted by an anti-riot squad, according to the three, who testified in Washington. Three workers were killed, 11 were wounded, and 19 have disappeared. Mr Diego Orozco, who led the protest, died; witnesses claimed he had been hurled from a helicopter.

Labour rights activists say Guatemala has failed some of its reform promises. "Not a single case of violence against trade unionists has been prosecuted since ... August 1991, let alone resulted in a conviction or imprisonment," Congressman Brown said in a letter to be sent to Mr Kantor.

Mr Kantor's decision may be delayed because the GSP programme is due to lapse the same day the decision is due. Its renewal is attached to legislation implementing the Uruguay Round.

Mexican economic pact boosts peso

By Damian Fraser in Mexico City

Tbe Mexican peso strengthened yesterday and secondary market interest rates fell on the first day of trading after renewal of the anoual economic pact between the government, business and unions.

The government resisted pressure in the pact to boost sbort-term economic growth, deciding to leave exchange rate policy unchanged and to run a balanced budget next year. The pact committed the incoming government of Mr. Ernesto Zedillo to an inflation rote target of 4 per cent next year, from the current rate of just under 7 per cent.

The decision to push for a lower inflation rate at the expense of higher sbort-term economic growth was seen as positive news for the peso and for fixed-income instruments.

"The announcemeot will be sufficient to restore calm to the foreign exchange and money markets, after the speculation last week," said Mr Lawrence Goodman, vice-president at Salomon Brothers. "This was an aggressive move to instil confidence in the market." The peso, after strengthening on Friday as rumonrs of a renewed pact reached the market, climbed further yesterday to 3.37 to the dollar.

Under the nnchangsd exchange rate policy, the peso is permitted to trade within a band whose floor, currently at 3.43 pesos to the US dollar, depreciates by 40 centavos a day, or 5 per cent a year. The central bank lbwered the intervention limit for the ceiling of the peso from 3.25 to 3.104 pesos to the dollar, giving a further lift to tha peso.

The announcement of the pact was earlier than expected, and may have been influenced by the maturing of $1.8bn (£1.13bn) of dollar-denominated bonds this week, which limits appreciation of the currency, says Mr. Goodman.

The agreement appeared to benefit industry more than workers, with tax breaks aimed st stimulating investment rather than consumption.

Under the accord the government promised that spending on public investment would rise by 25 per cent next year.

Cubans urged not to forget their sugar

Havana recognises food market reforms are not enough to rescue economy, writes Pascal Fletcher

In a recent broadcast, Cuban state radio chastised some of the country's sugar workars for spending more time growing food than weeding cane fields. More food is what the government would like – and has announced reforms to encourage – but not at the expense of sugar production. Even if its farm reforms, modelled on those that proved so successful in China and Vietnam, do produce results, boosting sugar production will prove more difficult.

But Cuban officials say it is imperative to help haul the country out of its four-year-old recession that has seen the economy's buying power (its capacity to import using available export revenues) contract from US$8bn in 1989 to $1.7bn in 1993.

"Cuba is a sugar economy .... Economic recovery must come through recovery in the sugar harvests," Mr Octavio Castilla, deputy minister for foreign investment and economic co-operation, said.

From this Saturday, Cuba's farmers will gradually start legally selling produce directly to the pnblic. Under reforms detailed last week, state farms and individual growers, excluding sugar co-operatives, will be allowed freely to set their own prices to sell surplus fruit and vegetables after they have fulfilled government supply quotas.

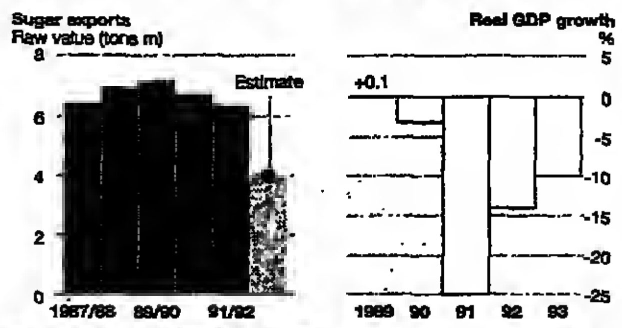
The reforms, part of an ongoing cautious process of economic liberalisation, are aimed at easing chronic food shortages and combating the flourishing black market. To some extent they amount to the legalisation of an already widespread sale of black market prodnce by Cuban farmers which has resulted in inflationary black market prices.

"I am sure that with this legislation we can stimulate food production through the law of supply and demand," Cuhan defence minister Raúl Castro, brother of President Fidel Castro, said.

The strategic sugar sector appears headed for another difficult season. It was one of the areas hardest hit by the unravelling of the comfortabls cocoon of preferential trade and aid ties Cuba had enjoyed with the now defunct Soviet bloc. The impact of this economic shock has been compounded hy a US trade and financial embargo that remains firmly in place.

The 1992-93 sugar harvest, hit by bad weather and shortages of fuel, fertilisers and spares, was only 4.2m tonnes, a 40 per cent drop from the previous season. The 1993-94 crop fell lower still. Cuba put it at just above 4m tonnes. Some international traders said it was even lower.

Cuba: a need to weed the cane fields



Source: National Bank; State Statistics bureau; F.O Licht Source: EIU

Sugar is not just the island's biggest export earner, accounting for sbout 40 per cent of total external revenue in 1993. It is also a key commodity to trade for vital oil imports and is closely inter-linked witb other sectors such as farming, export rum production and energy generation.

As Cuba prepares for the start of the next harvest in Novemher, alarm hells are sounding about sloppy preparations. In unusually frank reports, the state media have criticised poor repairs and maintenance at sugar mills, delays in new cane plantings and the failure of sugar workers to weed growing cane fields.

"One of the most critical points at this time is the sugar harvest," Mr Castilla said. He said urgent reforms were needed to de-centralise, re-organise and revitalise the sugar sector.

Incentives for sugar workers either in the form of bonuses or improved access to necessary consumer goods in exchange for higher productivity, similar to those already introduced in the tourism sector, are being discussed.

If this season's harvest is as bad, or worse, than the last, gross earnings from tourism could overtake sugar as the island's leading hard currency earner. The tourism industry, one of the first to be opened to foreign investment, had became more profitable and cost effective as the number of foreign visitors increased.

Figures published by Cuba's Centre for Studies on the Cuban Economy show that tourism grossed $650m in 1993 – net earnings are substantially less because of the imports needed to service the tourist industry – compared with $720m earned by sugar exports.

Besides tourism, foreign investors, especially Mexicans, are putting money into textiles, cement, steel and glass manufacturing, cosmetics production and citrus fsrming. Canadians are leading the field in the oil exploration and mining sectors.

One additional external squeeze will come from the US government'a decision on August 20 to restrict dollar remittances sent to relatives in Cuba by Cuban-Americans living in the US. Mr José Luis Rodríguez, the finance minister, said this would burt, but described as "exaggerated" US reports that the remittances represented $500m of income for Cuba each year.

Over the last 18 months, the government has lifted a ban on Cubans using hard currency, legalised limited private initiative in some trades and crafts and moved to halance the country's lopsided internal finances through cutting subsidies, starting a tax system and raising prices of utilities and consumer goods such as alcohol and cigarettes.

"We're moving, we're not standing about with our arms crossed. There is a process of reform in progress," Osvaldo Martínez, president of the Cuban parliament's Economy Commission, said.

But it is clear the reform process will be cautious and controlled and limited by the government's expressed intention to preserve its one-party socialist system. "We can't let the process run away from us," Mr Martinez said.

The government's dilemma is that it must move quickly enough to respond to popular pressure in demands for improved economic conditions while not letting the momentum of economic reform wrest centralised control of the economy completely from it hands.

US auto industry seeks Asian boost

By Victor Mallet in Bangkok

US motor manufacturers and parts suppliers yesterday embarked on a campaign to increase their business in South-East Asia, where the vehicle market is dominated by Japanese corporations.

The 11-company US mission to Thailand, Indonesia and Malaysia – sponsored by the big three US carmakers Chrysler, Ford and General Motors and supported by the US administration – comes at a time when US automotive companies are attempting to increase their presence in the region after years of neglect.

"We're looking at how we can become members of the supplier community," said Mr Christopher Bates of the Motor and Equipment Manufacturers' Association, "in order to position ourselves for the growth that's going to occur over the next decade." Critics say they are arriving 20 years too late and have allowed Japanese corporations to dictate policy to South-East Asian governments on everything from industry standards to import tariffs.

In Thailand, for example, Japanese manufacturers supply more than 90 per cent of the local vehicle market, with European luxury carmakers making up most of the balance. "We plan for the next quarter. The Japanese plan for the next quarter-century," admitted one executive for a US car company. But some US businessmen are bullish about their chances in Asia. They point out that South-East Asian markets are only now becoming big enough to enjoy important economies of scale.

'We plan for the next quarter. The Japanese make plans for the next quarter-century'

They also say some Japanese manufacturing operations in Asia and their local parts suppliers are profitable only because of high tariffs which may be reduced as Asian countries liberalise their trade regimes; just as the Japanese successfully seized a big share of the US market after 1970, US executives say, so it should be possible for US manufacturers to break Japanese dominance in Asia today.

US car component makers, furthermore, see opportunities for supplying parts to Japanese assemblers in Asia as they do in the US.

In the past two years, Chrysler has begun operations in Indonesia, Malaysia and Thailand to assemble the Jeep Cherokee and has tussled with its Japanese rivals to ensure that its products are not discriminated against in national tariff systems.

General Motors has re-entered the Indonesian market. Ford, which closed its assembly operation in Thailand in 1976, is conducting a feasibility study on whether to produce pick-ups in Thailand with Mazda.

Thailand is the second largest market in the world for pick-up trucks after the US.

This week's trade mission is supported by a US Commerce Department export promotion programme announced by Mr Ron Brown, commerce secretary, in June.

The six-nation Association of South-East Asian Nations accounted for $28bn of US exports in 1993.

Yeltsin's US link to capitalism

By Nancy Dunne in Washington

When Russian President Boris Yeltsin arrives in Washington today, he will see Mrs Ruth Harkin, president of the Overseas Private Investment Corporation (Opic), almost everywhere he goes. They will meet at the White House today for lunch with President Bill Clinton and leading businessmen; at the White House state dinner tonight; at the Russian embassy dinner tomorrow night; and Mrs Harkin will accompany Mr Yeltsin to Seattle on Thursday.

Mrs Harkin's high profile role owes much to timing. The US no longer has the dollars needed by new democracies to satisfy the demands of their liberated electorates. But it does have credit and a flourishing private sector. With its loans, guarantees and political risk insurance, Opic can be the key to packaging financing for private sector development. "We have been able to take this agency and make it the premier foreign assistance agency," said Mr Chris Finn, Opic's executive vice-president.


Ruth Harkin, head of Overseas Private Investment Corporation

Congress has been impressed that Opic stretches a dollar as few bureaucracies have done before. It has raised Opic's comparatively small budget allotment from $50m in 1994 to $105m in 1995 for project finance funding. Most of that is to go to the newly independent republics of the former Soviet Union. Using its guarantees and insurance, Opic attracts private investors and bond holders to risky but promising projects. It can take $40m in loan guarantees and leverage this into $1bn in investment. In less risky regions, it takes only $25m to raise $1bn in backing. Opic's guarantees make only project finance available. This means investors get the project as collateral and are repaid from the profits.

The White House is equally pleased with Opic as the leading agency on foreign policy initiatives. It is financing laundries and dry cleaners in South Africa, supermarkets in the Russian Far East, and hotels in Gaza and on the West Bank. Next month it will lead an investment mission to Hungary to assist in the modernisation of its energy sector.

During this week alone, it is committing $1bn in financing and political risk insurance for eight projects worth $2.3bn. These include:

■ A consortium of western investors led by Texaco, backed by $400m in Opic financing, to explore and develop the Timan Pechora Basin of Artic Russia.

■ $250m in insurance and guarantees for an engine design project with US, German and Russian partners.

■ A $60m loan guarantee for a project to improve phone services in 40 former Soviet cities and expand the number of international lines to Moscow.

Mrs Harkin wants to help develop Russia's pharmaceutical and agribusiness sectors, where she sees "enormous changes underway" in the food chain.

She plans investment in flour mills, grain storage facilities, seafood canning and freezing facilities.

The impact of Opic's political risk insurance – covering political violence, currency convertibility and expropriation – is rarely noted. With about $100,000 in Opic insurance, a US munitions company, Alliant Tech Systems, has embarked on a joint venture in Belarus, melting down old Soviet munitions and selling it for scrap steel. A second project will be launched in the Ukraine.

Around the world, Opic has 10 investment funds operating or in the process of being launched.

These including two African funds; three in the former Soviet Union, others in Poland, Israel and the Asia Pacific region; one for environmental projects; and another for sustainable development.

Under Mrs Harkin, whose husband Senator Tom Harkin is a liberal from Iowa, Opic has also supported Democratic political goals. It does not extend loans to countries which infringe workers' rights, or for projects which are harmful to the environment. It also precludes deals which might cost American workers their jobs. With countries around the world privatising and searching out investment, it can afford to be choosy.

In Russia, Opic is looking for projects which capture the imagination of the Russian people.

"We have a clear realisation that this little agency is not going to change Russia or any other country, but many of the projects we are involved in we hope will serve as a catalyst to the private sector in general," Mrs Harkin said.

Political storm in a Taiwan port

Tensions with Beijing stand in way of Asian transport hub plan, writes Laura Tyson

Taiwan has anointed the southern port of Kaohsiung as the centrepiece of a plan to make the island an Asian transport hub. But its ban on direct trade with China stands in the way of such regional ambitions.

Dubbed ROC (regional operations centre), the strategy was conceived by government planners several years ago as one that would position Taiwan for a new stage of industrial development.

The hope is to attract multinational companies to establish regional headquarters in Taiwan as a base from which to penetrate China and South-East Asian markets, especially after Hong Kong reverts to Chinese sovereignty in 1997.

Kaohsiung was chosen for its harbour facilities and central location in East Asia, says Mr Shive Chi, vice chairman of the Council for Economic Planning and Development, the government's top planning agency.

A government-commissioned study prepared by McKinsey & Company, the US management consultancy, on the development of Taiwan into a regional centre for business, finance and transportation is to be released soon.

An earlier study on port development by consultancy Frederick R Harris, Taiwan, concluded that from the perspective of shipping companies, using Kaohsiung as a hub port for "greater China" trade made better economic and logistical sense than using Hong Kong – provided direct cross-strait sea links were re-established.

The groundwork for such links has been done, according to Mr Hsieh Ching-chang, the acting director of the Kaohsiung Harbour Bureau. But there are still political tensions between Beijing and Taipei.

"Technically speaking, there is no problem whatsoever," Mr Hsieh says. "If the government changes its policy tomorrow, we are ready."

Taiwan's ruling Nationalist party broke off links with mainland China when it fled to the island in 1949 after losing the civil war with Mao Zedong's communist forces.

Dr John Ricklefs, senior vice president at Frederick R. Harris, estimates that 15 per cent of Hong Kong's cargo volume, mainly trans-shipment, would shift to Kaohsiung were direct links resumed. "The real market growth in this region is China, and the port of Kaohsiung has been locked out of serving that market for purely political reasons," he says.

Kaohsiung was the world's third-largest container port in 1993 with a total volume of 4.64m TEU (twenty-foot equivalent units), half that of first-ranked Hong Kong with 9.2m TEU. Singapore, second in the world at 9.05m TEU last year, does not directly compete with Kaohsiung as it serves the South-East Asian market.

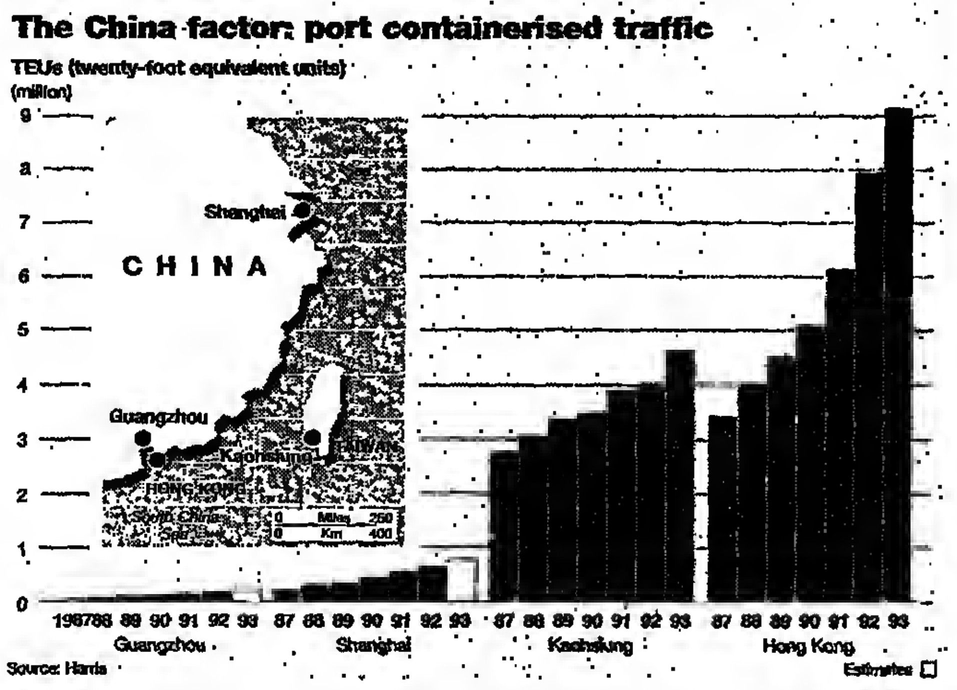
"Hong Kong is now being used by international shipping companies as the gateway to the China market," says Mr Peter Hsu, a manager in the Kaohsiung offices of Sea-Land Service. With Hong Kong harbour operating at 10 to 20 per cent above capacity, space is at a premium. Sea-Land bases its large ships in Kaohsiung and uses feeder lines to service mainland ports via Hong Kong. "With direct cross-strait trade, we could just skip Hong Kong," Mr Hsu says.

At least 75 per cent of Taiwan's rapidly rising exports to China are routed through the British colony, with a small portion going via other ports such as Singapore and Korea. Taiwanese businessmen are lobbying for direct trade as it would reduce travel time and shipping costs.

Mr Chang Chun-hsiung, a legislator and the opposition Democratic Progressive party's candidate for Kaohsiung mayor in year-end elections, is less sanguine than ruling party officials about Kaohsiung's prospects.

"Kaohsiung is just not competitive with Hong Kong and Singapore," he says. "In the past, the harbour made a lot of money from Taiwan's exports and cheap labour, but we cannot rely on those any longer. The port has not sufficiently improved its efficiency, facilities and services."

The China factor: port containerised traffic



Source: Harris

However, the main problem lies not in the port itself but in government policy. "If you don't have direct links with China, how can you become a regional operations and transportation centre?" says Mr Chang.

Government officials brush off the thorny issue of direct transport links to China's vast potential market. "Already, 39 per cent of the container traffic at Kaohsiung harbour is trans-shipment," says Mr J T Chen, a senior analyst at a think-tank under the ministry of transportation and communications.

"If we can create favourable conditions to attract shipping companies to Kaohsiung, then we can become more competitive. If the government can provide a commercial park and if the management of the port can be improved, then we should have no problem becoming a regional hub," says Mr Chen.

Plans to expand port facilities and streamline its administration are being drawn up, say harbour bureau officials. A fifth container terminal is scheduled to be completed in 1998 and there are plans for either a sixth container terminal or back harbour terminal on land bordering the harbour.

Customs clearance and processing will be expedited by a new computerised system that is being installed, and which will reduce docking charges, officials say. Authorities will also tackle labour issues, the problem foreign shipping companies most often complain about. Ways to improve the port's management structure and partially privatise harbour facilities are under study.

Pakistan's energy sector attracts $4bn

By Farhan Bokhari in Islamabad

Pakistan's efforts to attract investments in power generation and in oil and gas exploration have borne fruit in the form of contracts with US companies worth about $4bn. Ms Benazir Bhutto, the prime minister, described the contracts as "a landmark in the history of private sector investment" in Pakistan.

The bulk of the new contracts involve power generation projects backed by US businesses, including AES Corporation, Enron, GE Capital and Tenaska. Occidental and Union Texas are involved in oil exploration contracts worth $275m and many officials hope that new oil finds will help the country's power generation efforts by providing lower cost fuel.

Domestic businesses have suffered production losses due to disrupted power supplies. The rains that followed a long dry spell restored the country's hydro-generation capacity and narrowed the gap between demand and supply. However, the relief may be only temporary.

Many transmission lines are in a state of disrepair and the government estimates that up to 33 per cent of the power generated in Karachi, Pakistan's largest city, is lost in breakdowns, leakages and power thefts. In the rest of the country, up to 23 per cent of generated power is lost in similar ways.

An energy policy announced this summer has set the tone for fresh investments. The government has eliminated much red tape by replacing a series of official procedures with a one window set-up in Islamabad. Moreover, investors have been assured of a bulk tariff rate of 6.5 cents per kilowatt hour, considered to be one of the more attractive rates among developing countries.

The government's private power board estimates that up to $5bn worth of investments could come in power generation, in addition to the American commitments, during the next three years.

However, for some investors, the signing of the deals may just be the beginning of a difficult process involving financing. The financial package requires them to put up a 20-30 per cent equity, while raising the rest in loans or other financing. Senior Pakistani officials concede privately that some of the sponsors may not be able to put together their financial packages, especially as international demands for financing remain high.

Concerns have also been raised over the delay on Pakistan's plans to float its first sovereign Eurobond offer worth $200m. It was originally scheduled to take place this month but was postponed due to recent turbulence on international bond markets.

Pakistani officials hope that the US commitments have opened the most important window to attract fresh investments, and that other foreign investors may follow.

Plan to import Qatar gas approved

The Economic Co-ordination Committee of the Pakistani cabinet has approved a plan to import natural gas from Qatar, Reuter reports from Islamabad.

A government statement issued yesterday said the scheme provides for a $3.2bn gas pipeline from Qatar to Pakistan.

Pakistani president Farooq Leghari said earlier this month after a visit to Iran that Tehran had agreed to join the project. The first phase would comprise a 1,600km pipeline and transmission facilities from a southern gas field in Qatar to Pakistan.

The pipeline is planned to carry 1.6bn cubic feet of gas per day and later to be extended to India. The gas pipeline project is being sponsored by Sharjah-based Crescent Petroleum International, Canada's TransCanada PipeLines, the leading gas transmission company, and Brown and Root, the US engineering group.

The pipeline will carry gas offshore from Qatar across the lower Gulf to the United Arab Emirates' west coast and overland across northern UAE to the Gulf of Oman.

From there the pipeline will run along the coast of Iran to Pakistan, terminating near Karachi.

The project will be financed by regional governments and the World Bank.

Earlier this month Iran and Pakistan agreed to build an oil refinery in Pakistan and to export Iranian natural gas and refined oil products to Pakistan.

WORLD TRADE NEWS DIGEST

Taiwanese chip plant prepares expansion

Texas Instruments-Acer, a Taiwan-based semiconductor manufacturer, has announced a $400m expansion project to produce advanced computer memory chips, writes Laura Tyson in Taipei.

The company has signed a $210m syndicated loan with 15 foreign and two domestic banks. The new plant will make 16-megabit dynamic random access memory chips on eight-inch wafers. Taiwan's only DRAM producer, TI-Acer currently produces 4-megabit chips on six-inch wafers. Chips will be made using 0.5 and 0.35-micron process technology. Acer holds a 58 per cent stake in TI-Acer, Texas Instruments has a 26 per cent share and China Development Corporation, controlled by Taiwan's ruling Kuomintang, owns 16 per cent.

John Brown wins $79m deals

John Brown Engineering, part of the UK's Trafalgar House group, has won three turnkey contracts worth a total of more than £50m ($79m) for large gas turbine-based generating plants in Malta, Australia and the UK, writes Andrew Baxter. In Malta, Enemalta awarded it a contract to extend the Delimara power station, while in Australia it will build a plant for Pilbara Energy, supplying power for mining operations in Western Australia. Hydro-Electric also awarded it the contract for a combined heat and power plant at Runcorn, Cheshire.

CONTRACTS

■ Pan-United Shipyard, a unit of Singapore's Pan-United Corp, has signed two shipbuilding contracts worth S$67m (US$44.6m) with Kedah Cement Holdings, one of the largest cement manufacturers in Malaysia. Pan-United will build two specialised cement carriers for progressive delivery in 1996.

■ United Technologies Automotive, a unit of United Technologies, has formed a joint venture with Dongfeng-Citroën Automobile and Société Générale to produce automotive electrical distribution systems in China.

■ Six liner operators have signed an agreement to charter and exchange slots, co-ordinate sailings and co-operate in the use of terminals in the northern Europe-Far East trades from 1996. The agreement was signed by American President Lines, Mitsui Lines, Orient Overseas Container Lines, Nedlloyd Lines, CGM Orient and Malaysian International Shipping.

BT rival unveils its prices

By Andrew Adonis

Energis, the new UK long-distance telecommunications operator, unveiled its prices yesterday, promising strong competition with the country's existing telecommunications groups, British Telecommunications and Mercury.

However, Energis claims that its tariffs were up to 44 per cent cheaper than BT's standard rates met an angry rebuttal from BT, which said that some of Energis's published figures exaggerated BT's tariffs by a third.

For daytime calls, the price differential between Energis and BT standard tariffs is between about 11 per cent and 17 per cent. It is also significantly cheaper than Mercury for many business calls.

Volume discounts can make straight comparisons misleading, but taking account of its own volume discounts Energis remains strongly competitive with both BT and Mercury, particularly for high-volume telecoms users.

Energis has no local network, and is competing with BT only for long-distance and international traffic.

A subsidiary of the National Grid, the transmission system for the power industry in England and Wales, Energis has used the Grid's pylons to carry its 3,500km fibre-optic network. It claimed that its overheads are far lower than those of its rivals in terms of initial investment and operating overheads.

Energis has invested £250m ($395m) in its long-distance network, against Mercnry's £2.7bn. It has abont 340 employees, compared with Mercury's 10,500.

Mr David Dey, Energis's chief executive, said that unlike BT and Mercury, Energis would contract out all functions except strategic management and customer service, significantly reducing its cost base.

Energis identified small and medium-sized businesses as its main target, the segment of the corporate sector which has gained least from Mercury over the last decade. However, Mercury said it was now targeting the same group, and claimed that any price advantage held by Energis would be offest by superior marketing and customer service.

Energis is the UK's third long-distance telecoms operator. BT also faces extra competition from cable operators at the local level, and from other operators targeting specific sections of the business market, particularly in the City of London.

Energis has signed a preferred supplier agreement with Colt, a City operator. It will also sell long-distance capacity to cable operators.

Mr Laurence Heyworth, telecoms analyst at Robert Fleming, said the launch of Energis was likely to accelerate the rednction of long-distance phone tariffs, bringing them more closely in line with local call prices.

MTV chooses London as non-US base

By Raymond Snoddy

MTV Networks, the American-owned music television group, has decided to make London its international headquarters responsible for all MTV activities outside the US.

In a substantial restructuring, Mr Bill Roedy, chief executive of MTV Europe, will become president of MTV Networks International and be in charge of everything from *MTV Latino*, the Latin American service, to the launch of two new channels in Asia by the end of the year.

Mr Roedy will continue to be based at the headquarters of MTV Europe in the old north London studios of TV-am, the UK breakfast television channel that lost its franchise. He will also have a new office in New York.

London has been given increased importance as an MTV centre because MTV Europe, with music, news and features adapted for the European market, is becoming bigger than the US operation.

For the past two years, MTV Europe, launched in 1987, has been profitable, although the company declines to give profit figures. MTV Europe is available in more than 60m homes in 37 countries compared with 59m for the US version, and in the past year has extended its reach into Greece, the former Soviet Union, Lebanon and Turkey.

MTV, which is owned by Viacom, claims it is the largest television network in the world. It reaches 250m homes in 63 countries.

This Friday, MTV Networks launches a UK satellite channel. VH-1 UK will be a music channel aimed at people aged 25-49.

Closure of Swan Hunter seems certain

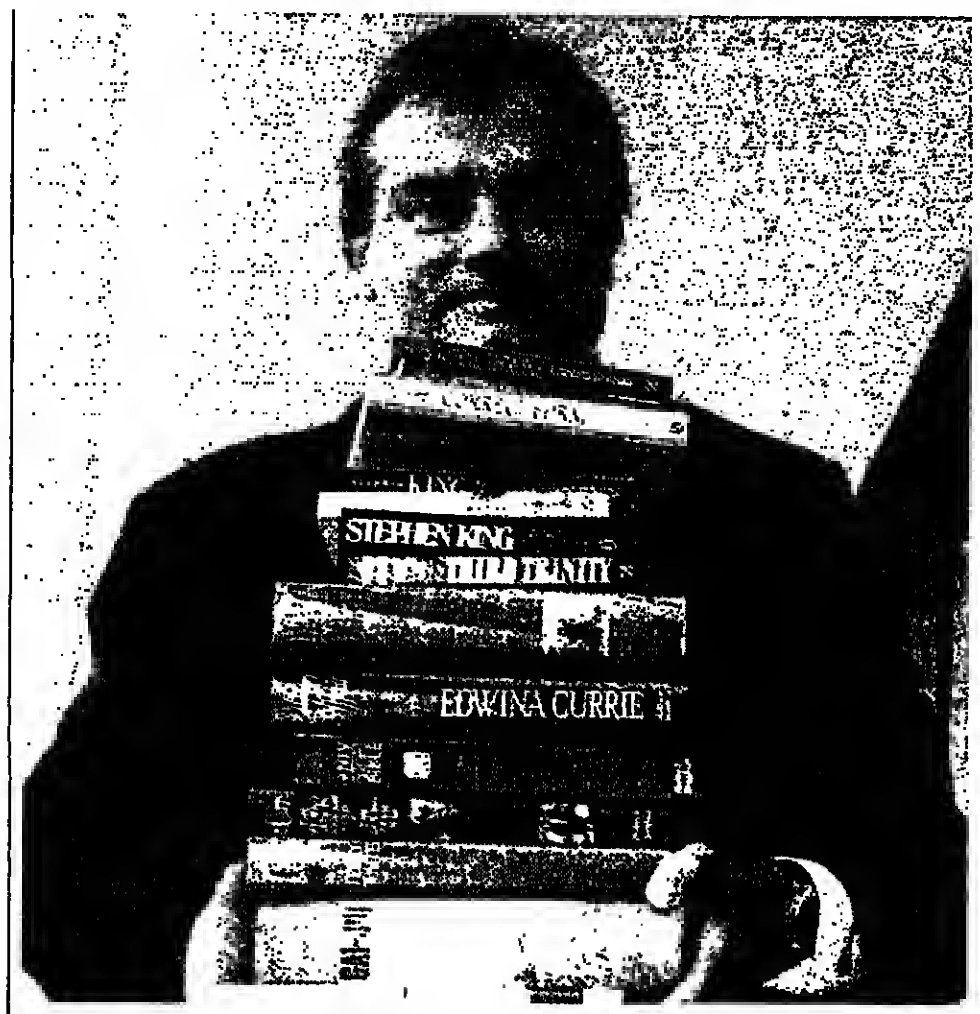
Closure of Swan Hunter, the Tyneside shipyard in liquidation, yesterday became a virtual certainty when the bulk of the design team, crucial to the continuation of the business, were told they would be made redundant on Friday.

Receivers Price Waterhouse yesterday told the unions a further 177 would be made redundant on Friday, of whom 79 were technical employees, most of them from the 103-strong design team. Loss of the team would make it impossible for Swan Hunter to tender for more work, in effect ensuring its demise by ending prospects of its sale as a going concern.

This week's redundancies will leave just 450 workers at the yard, which has been in receivership for 16 months. More jobs are likely to go in mid-October and most of the rest at the start of November when the yard's last frigate, HMS Richmond, is handed over to the Royal Navy.

Only about 100 will remain for maintenance and security – the last survivors of the 2,500 on the payroll last May.

The unions insisted that they still did not regard closure as inevitable – there could be a move for the yard after everyone has been made redundant.



Dan Burgen

Hodder Headline, the UK's fifth largest publisher, is quitting the UK's Net Book Agreement, wbich sets prices for books. Chief executive Tim Bely Hutchison (above) estimates that books costing £15-£20 will drop to £11-£12. The agreement is being reviewed by the UK's Office of Fair Trading.

Ulster Tories seek to rock conference boat

By David Owen

Conservatives from Northern Ireland are moving to rock the boat before next month's Tory conference by urging the party "actively to persuade" the people of the province that their best future lies within the UK.

They are trying to force a vote on this by canvassing support among Tory constituency organisations.

Their amendment to the motion on Northern Ireland that will be debated at the conference also calls for the deletion of a reference to the courage of Mr Albert Reynolds, the Irish prime minister. A letter to constituency chairmen from Mr Leonard Fee, the senior unpaid Tory in the province, argues that it would be "distasteful to ask the party conference to praise Mr Reynolds".

The move emerged yesterday as Downing Street renewed its demands for an unambiguous assurance that the IRA has ended violence for good.

The government's remarks came after Mr Gerry Adams, Sinn Féin president, on a 14-day visit to the US, said he wanted "a permanent peace" in the province. "I am not interested in any temporary suspension," Mr Adams said.

Mr Michael Mates, the former Northern Ireland minister, sent by the government to shadow Mr Adams's US tour, said the remarks "take us a little further. I happen to believe that the intention is that the end should be permanent, but he cannot say it."

Britain in brief

Labour party to underline policy shift

Mr Tony Blair, leader of the opposition Labour party, will today ceremoniously ditch its traditional approach to economic management by insisting that the party's social ambitions can be met only in a dynamic and open market economy.

The shift will provide the backdrop for next week's annual party conference in Blackpool by underlining Mr Blair's commitment to accelerate the process of modernisation begun by his predecessors.

It is likely to further anger left-wing activists who have been alarmed at the pace with which Mr Blair has challenged traditional policies since his election in July.

Struggle forecast for life insurers

About 40 life companies, accounting for just under one-quarter of new business premium income in the UK industry, will be struggling to continue to sell life insurance within a decade, according to actuaries Bacon & Woodrow.

An analysis by B&W suggests that 40 per cent of the 103 UK life companies have expense ratios which would make them vulnerable if competition in the sector takes the form of a price war. Just 10 per cent are what B&W calls "cost competitive".

Brent Walker 'fraud' helped its expansion

The rapid expansion of Brent Walker, the property and leisure group, throughout the 1980s was heavily dependent upon the fraudulent profit-boosting operation orchestrated by Mr George Walker, the company's former chairman and chief executive, the prosecution in his trial alleged yesterday.

The fraud took place at a critical phase of the company's development and had a substantial effect on how Brent Walker was regarded by investors, Mr Peter Rook QC told the Old Bailey, the central criminal court.

Mr Walker and Mr Wilfred Aquilina, a former Brent Walker finance director, both deny charges of theft, false accounting and conspiring to falsify the company's accounts.

Arthur Andersen announces merger

Arthur Andersen, the UK'a third largest accountancy firm by fee income, yesterday formally announced its long-awaited merger with parts of Binder Hamlyn.

Arthur Andersen said seven of Binder Hamlyn's offices would join Arthur Andersen Worldwide Organisation in a merger which would "break new ground in the accounting profession" but would continue to practice under the Binder Hamlyn name.

Cleanliness in Bath

Bath, in the south-west, and Ripon, in North Yorkshire, emerged yesterday as the UK's cleanest cities in the first national survey of its kind by the Tidy Britain Group.

The City of London came eighth and Manchester came bottom of the 57 cities surveyed.

Dairy group fails to win judicial review

The Dairy Trade Federation, which represents UK milk processors, is considering further action after being refused leave by the High Court yesterday to seek a judicial review of the government's handling of the milk market deregulation.

Mr Justice Dyson ruled that the federation had an "arguable case" but had failed to bring its action promptly enough after government approval of the new arrangements in June.

The milk market in England and Wales is due to be liberalised on November 1, when the Milk Marketing Board will be replaced by Milk Marque, a voluntary farmers' co-operative.

MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Latest news when an ill wind blows

It is said that every cloud bas a silver lining. What is insolvency for one company can be an opportunity for another to pick up cheap assets and stock or to expand its customer base.

Smoothing the way in this corporate jungle is a new publicatioo that claims to be the first service to provide daily information about corporate insolvency by fax. Loodon-based IT Systems Publishing compiles information from the official publication, the Loodon Gazette, and the High Court and faxes subscribers overnight.

Subscribers may reqnest a tailored service that will give them information about insolveocies ooly in manufacturing or the computer industry, for example. The service gives the names and cootact number of liquidators.

Publisher Simon Thompson says subscribers also use the service, which lists petitions for winding-up orders, to give them an early warning that customers are in trouble.

IT System Publishing – 071 434 2000

Wanted: executives in search of a job

Talking of recycling assets, the Connect for Growth programme sponsored by London TECs is still looking for unemployed executives to match with smaller companies seeking to take on additional managers.

Set op a year ago by The Enterprise Partnership, a London-based consultancy, the programme has already "matched" 100 companies with previously unemployed executives. After a short refresher course, executives join a growing company for a three-mooth project or trial.

During this period, the company pays only £500 to the Enterprise Partnership, while the government's training for work scheme picks up the cost of paying the executive.

The Enterprise Partnership - 071 627 4991

Dynamic experiment: John Knowles, technical director (left), with Colin Wilson, marketing director at Magnatech

Neville Pyne

Hard sell for enterprise cells

Richard Gourlay looks at an innovative scheme that assembles teams ahead of a business idea

Early next month a new company will begin trading in Doncaster, South Yorkshire. Unlike many start-ups, Magnatech is moderately well capitalised, is not being run by one entrepreneur out of a garage, and will be able to lean on an unusual amount of external advice and support – including the services of a non-executive director.

What is also novel about Magnatech is that the four members of its management team were brought together with no idea of what business they would start. The company is one of about 40 experimental "enterprise cells" being set up by some Training and Eoterprise Councils (Tecs) and their Scottish equivalents, the Local Enterprise Councils, with the support of the David Hall Partnership, a Rotherbam-based consultancy involved in supporting the government's business start-up scheme.

The aim is not only to try to increase the rate of manufacturing business start-ups, particularly in areas where traditional manufacturing industry has closed; it is also designed to increase the likelihood that enterprises have a reasonable chance of becoming viable growing businesses. By comparison, the government's business start-up scheme – which makes payments to recipieots of about £50 a week – has generally backed ventures that have only helped unemployed people become self-employed.

"The eoterprise cell process is more dynamic," says Julie Readman, research manager of Barnsley and Doncaster Tec, which is hoping to have helped six cells set up by Christmas. "The principle is we look for good ideas and try to find people who can service this market instead of waiting for entrepreneurs to come along."

Magnatech will be importing and modifying a Swedish invention that has been developed in the US. The equipment heats metals in a uniform manner by the use of oscillating magnetic fields. Colin Wilson, Magnatech's marketing director, says the technology produces less thermal stress in metals than conventional indnction beating and will find applications throughout industry, including the aerospace and automotive industries.

While Magnatech, which raised £150,000 in capital, is probably the largest enterprise cell, the basic approach is the same in each case.

"Most start-up schemes look for people with ideas to support and that is generally not successful," says Bill Bolton, a former Cambridge academic who helped set up the St John's College Innovation Centre and is one of the architects of enterprise cells. "We create teams and put ideas around them."

The process starts with the David Hall Partnership advertising for people interested in starting their own businesses. From applicants, some unemployed but many who are middle managers with jobs, David Hall conducts psychometric tests to assemble balanced teams. Bolton says: "I am not not naive enough to believe you can get good teams that way, but you can avoid disasters."

The partners in the team then receive training, funded by the Tecs, in basic business skills and are introduced to what Jeff Cooke, a David Hall director and architect of the cell scheme, calls "a data base of business ideas". It assembles these from a range of sources, including the import statistics from the Customs and Excise (for possible import substitution opportunities) and trade missions that hold lists of foreign companies interested in alliances in the UK.

Having chosen and researched their market, the businesses then have to seek backing. In the case of Magnatech, it raised start-up funding from its founders, the loan guarantee scheme and a regional venture capital group. David Hall then acts as hands-on consultants to the cells' partners for up to two years.

The scheme is still at a very early stage. The first cell to be set up in Scotland, a company making fasteners, had a turnover of only £40,000 in its first year, although it broke even. Its annualised sales rate after three months this year could be £100,000, and it could start employing extra people this year.

David Hall is also helping to set up cells as part of a European Union pilot project in western Scotland that is looking at ways of regenerating the economy.

The enterprise cells scheme is initially not cheap. Readman says Barnsley and Doncaster Tec has allocated £200,000 to set up eight cells in its area, including a contribution from Rechar, the EU fund that supports regeneration in coalfield areas. But because the investment is in businesses with potential to grow, Readman believes it may become a cost-effective way to create jobs.

There are other concerns. What chance do Tecs and the research departments of a consultancy have of finding business opportunities that existing companies with capacity and marketing capability have not already looked at and discarded? If there is imperfect information in the market, are Tecs and consultants equipped to sniff new opportunities out? And will the enterprise cell idea encourage people with limited knowledge of running a business to try schemes that are not viable for them?

"We would not normally encourage people to go into a high volume market," says Cooke. "We try to be careful we are not giving people false hope when they will not be able to penetrate or service a market." Supporters say it is difficult to tell which ideas will succeed and that all ventures have to pass the test of raising capital.

It is far too early to say whether the scheme will work. Cooke does not expect to start thousands of businesses and accepts that much will depend on the quality of ideas it can put forward. There will also be no way of knowing whether those businesses that do start would have launched anyway had taxpayers' money not been used to entice them into areas in need of regeneration.

US lead that London ignored

Richard Gourlay looks at Nasdaq's return for one venture investor

The Stock Exchange's announcement earlier this month that it is to set up an Alternative Investment Market (AIM) for trading in smaller company shares has been nothing if not controversial.

The new market may well provide an alternative to the old rule 535 (2) trading facility (now called Stock Exchange rule 4.2) under which about 200 shares currently trade. In this way it might become viewed as a replacement for the Unlisted Securities Market, which will accept no new entrants from December and will be wound up at the end of 1996.

But it remains to be seen whether young and rapidly-growing companies will be able to raise larger amounts of capital. In the US, for example, where many such companies choose to float on the regulated National Market of the US Nasdaq Stock Exchange, the average new issue size this year has been $34m (£21.5m). The largest was for $413m.

With AIM unlikely to require issues to be sponsored by recognised stockbrokers or to have rigorously vetted (and therefore expensive) listing particulars, some venture capitalists say that institutional interest will be limited. The obstacle, some investors and stockbrokers say, is the lack of regulation – precisely the feature the Stock Exchange wants to maintain for its new market.

Advocates of a more regulated market argue that venture capitalists would be much more likely to back young growing companies if they knew there was a market in which they could achieve a much earlier exit than is currently possible on the Official List in London. The London Stock Exchange has only made an exception for bio-technology companies, which do not need an earnings record before floating.

"The experience in the US is that the public market is crucial to a private equity market," says Ronald Cohen, chairman of Apax Partners and a lukewarm supporter of AIM.

A similar view is taken by Thomas Judge, director of Alternative Investments at AT&T Investment Management Corp, the biggest investor in venture capital in the US. AT&T's investment returns from venture capital investment might make UK institutions take greater interest in the formation of a vibrant and accessible stock exchange for young rapidly growing companies.

AT&T started investing in venture capital in 1980. After a slow start, it now has $1.3bn invested in the asset class through 87 venture capital firms. This means about 3 per cent of the $39bn AT&T pensioo fund is in seed investment, development capital and what it calls "smaller buy-outs".

"Nearly all the $592m of investments distributed to us was from stock that was listed on Nasdaq," says Judge.

AT&T does not sell its investments as soon as shares are distributed to it on flotation. In 1989, it hired Warburg Pincus, the US investment institution, with a mandate either to sell or hold the stocks in the distributed portfolio. From 1989 to the end of last year, this portfolio achieved an annual 22 per cent compound rate of return, Judge says.

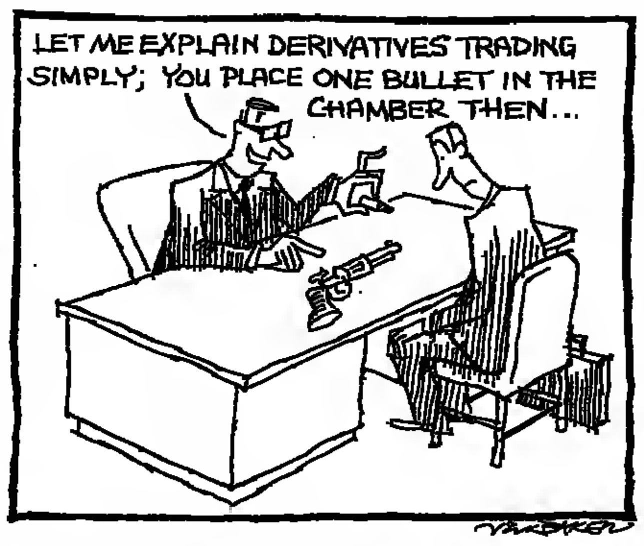
This compared with a 15 per cent return on the Nasdaq Industrial Index over the same period and a 12 per cent return from the Russell 2000 Index, which tracks the performance of smaller issues traded on Nasdaq and other US exchanges. In the UK, where until last year the level of flotations had been modest for three years and trade sales were a more common exit route for venture capitalists, such returns would not have been possible.

One other US fact supports the case for a Nasdaq type of market for growing companies. According to VentureOne, a San Francisco-based research organisation, more than 95 per cent of venture backed companies go public on Nasdaq. For AT&T, the figure is slightly lower at 88 per cent. Judge is quite clear about the role the exchange has played in allowing AT&T to invest $1.3bn in growing companies. "We feel without Nasdaq in the US we would have been hard pressed to do what we did," he says.

BUSINESS AND THE LAW

Liable to exposure

Diana Bentley on closer legal scrutiny of derivatives losses



Recent disclosures by several US public companies that they have suffered snhstantial losses through trading in derivatives has resulted in the announcement of tighter cootrols by US regulators. It has also led to the realisation that many of the legal issues which arise from the use of, or failure to use, derivatives have yet to be tested in the courts.

Why do pnblic companies use derivetives – financial Instruments, such as futures and options? The answer is to manage financial risks associated with their business. A company can reduce the risk of a rise in the future cost of borrowing by fixing its borrowing costs by the use of interest futures, options or swaps. Equally, multinational companies can hedge against foreign exchange exposure throngh foreign currency futures and options.

But derivatives are not without their risks, as recent large trading losses in derivatives in the US illustrate. In May, Air Products and Chemicals, the US industrial gases group, was the fourth listed US company to take a charge against its earnings this year as a result of losses on darivatives contracts bought from Bankers Trust, the New York bank.

The lossas suffered by Air Products and tha other three companies – Proctor & Gamble, Mead Corporation, the US paper group, and Gibson Greetings, a greetings card manufacturer – have raised questions of liability.

On Septemher 13, Gihson Greetings filed suit in the Ohio Federal District Court seeking damages of $23m, the amount owing on the derivatives transactions, and punitive damages of $50m in respect of transactions with Bankers Trust.

The action, alleging fraud and deceit, claims the hank "made false representations and failed to disclose to Gibson the risk of the extremely complicated derivative products" sold to Gibson. Bankers Trust denies the claim.

Depending on the success of the Gibson action, Proctor & Gamble has said it may follow with an action over its loss this April of $157m on two highly leveraged interest rate swaps.

Although the company has not yet started legal proceedings it attributes the loss to Bankers Trust, arguing that the transactions, based on complex formulae which multiplied the effect of interest rate increases, were not usual for the company and were inconsistent with its policies.

The bank denies liability for these losses, saying the transactions were entered into after much discussion, that it formally recommended to Proctor & Gamble that the company limit its risk by unwinding all or part of the transactions when changes in market rates hegan to affect its position adversely – advice Proctor & Gamble rejected.

The Bankers Trust action highlights the question of the liability of banks in providing derivatives services and the level of advice given.

Losses arising from derivatives dealing are an emotive issue, according to Mr Tim Plews, of City solicitors Clifford Chance. "Derivatives are somewhat intangible and large sums can be lost or gained overnight, making losses particularly unpalatable," he says

Mr Jonathan Melrose a partner of City lawyers Simmons & Simmons says the basic premise of UK derivatives regulation is full and frank disclosure, though financial institutions dealing with professional clients are permitted to place greater reliance on the client's own judgment.

But lawyers accept that even compliance with standard disclosure requirements to professional clients may not avoid claims.

Given its sophistication, Proctor & Gamble's assertion that it was relying on Bankers Trust's advice has been greeted with derision in the US markets. But the company has not ruled out litigation.

Gibsoo Greetings alleges it was positively misled. That shows a financial institution is never out of the firing line, Mr Melrose says. "Large losses can concentrate the mind on what action may be available. Clients may try to argue that they are owed a duty of care or, as with Gibson, allege they were actively misled," he adds.

With exotic derivatives questions of liability are more complex, Mr Plews says. "There can be a fine line between what it takes to market e product, especially a new one, which has to be demystified for a customer, and the giving of advice. To what extent is a bank encouraging reliance on its explanation before a customer commits to the contract?"

The possibility of shareholder ection against companies using derivatives adds another dimension to the problem. Shareholders may be philosophical about trading losses in traditional areas of business, says Mr Plews, but less forgiving about derivative losses. There is certainly more pressure now on directors to ensure they understand the products the company is dealing in, says Mr Melrose.

The point is illustrated by a recent Australian decision in which the chief executive and chairman of AWA Ltd, a public company, was found to have been nagligent in foreign exchange transaction losses because he failed to establish adaqnate internal control systams io the foreign exchange department and properly control the activities of the department head.

The decision by the Commercial Division of the New South Wales Supreme Court is under appeal, but Mr David Williamson, London partner of Australian law firm Blake Dawson Waldron says: "The Australian decision should focus the minds of directors and professional advisers, such as auditors, on their potential exposure in this area."

Directors may find themselves in a quandary over derivatives, eccording to Mr Melrose. "In any company where there is a sophisticated treasury operation inadequate use of derivatives to hedge may also be open to question."

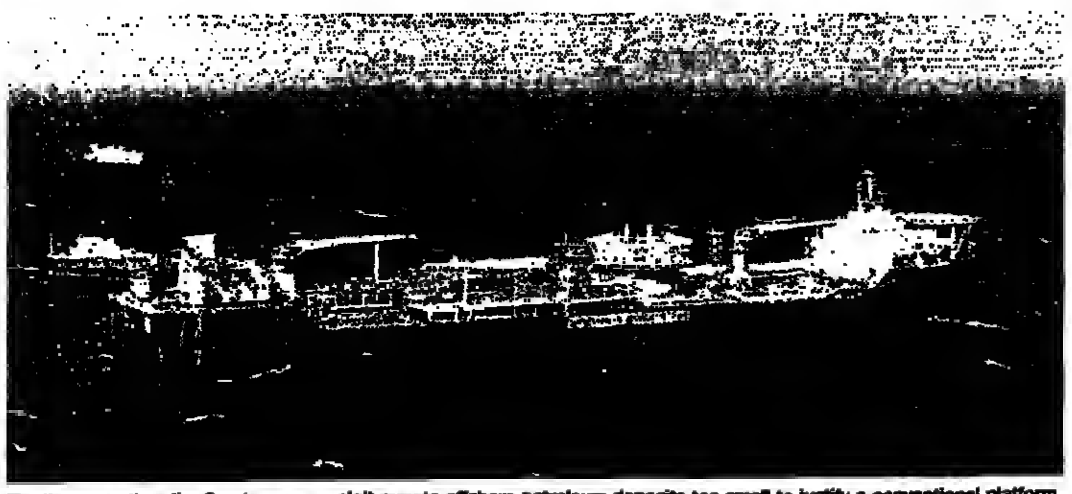
He points to a US case where directors of the LaFontaine Grain Co-operative were found by the Indiana Court of Appeals to be negligent for not adequately using derivatives to minimise financial risk.

Directors may in some circumstances be covered hy Dirtectors & Officers Liability insurance, now common in the US and becoming so in the UK. Trading losses from failure of management may be covered by such insurance, but some policies exclude failure of investments, in which case losses incurred through derivatives may not be insured.

UK and US lawyers will watch the US litigation with interest. Apart from the Hammersmith and Fulham litigation, wbere the House of Lords ruled local authorities did not have the powers to enter into swaps contracts, little legal action has been taken on derivatives in the UK.

Yet, as the recent US action confirms, the use of derivatives is under increasing legal scrutiny.

TECHNOLOGY



Floating sensation: the Gryphon can exploit remote offshore petroleum deposits too small to justify a conventional platform

Ship-shape for the high seas

Robert Corzine explains why floating oil production systems may prove increasingly popular

Like its mythological namesake, the Gryphon, a tanker-like vessel anchored in the North Sea 200 miles northeast of Aberdeen in Scotland, is an unlikely combination.

From a distance it looks like any other large oil tanker. But whereas most such vessels measure their lives in millions of miles travelled, over the next 15 years or so the Gryphon is unlikely to move more than a few metres from its present position.

Part ship, part crude oil and natural gas processing and storage plant, the Gryphon represents the latest thinking on how to exploit remote offshore petroleum deposits too small to justify building a large and expensive conventional platform fixed to the sea bed.

Roy Phillips, an executive with Kerr-McGee, the US company that operates the Gryphon, says the decision to use a floating production, storage and offloading system (FPSO) saved 40 per cent over the cost of a conventional platform.

In addition, the early availability of the ship, which had been built as a floating oil storage vessel on a speculative basis in Spain, meant the company was able to produce the first oil from the field in October last year, about a year after the go-ahead was given. First oil production from a conventional platform would not have been possible until early 1996, he says.

Although the Gryphon is the only FPSO operating in the UK sector of the North Sea and one of only a dozen or so in the world, industry observers expect them to become an increasingly common sight in coming years. Wood MacKenzie, the Edinburgh-based oil consultants, earlier this year estimated that nine UK North Sea fields being considered for development will use some form of floating production system, with two-thirds expected to adopt a ship-shape solution similar to the Gryphon.

The effectiveness of FPSOs have been enhanced by progress in a number of technical areas. The method used to keep the Gryphon on station is straightforward: a turret at the centre of the vessel is secured to the seabed by 10 anchors, each weighing 35 tonnes. The vessel, which has five thrusters mounted along its hull, is able to rotate around the turret so that it is always lying head to the wind.

The "smart" part of the system lies within a sophisticated computer software system. It receives precise navigational data from automatic electronic identification systems, or "transponders", on the seabed and satellite transmissions. It also receives constant weather data and updates on the stresses on each anchor chain, before recommending to the crew that they activate one or more of the thrusters.

The system can also "learn the weather and react to it", according to the Gryphon's crew. Its effectiveness is such that the maximum lateral motion experienced by the ship in last winter's Force 10 gales, with winds gusting to 120 miles an hour, was 30 feet, although it can move more than three times that.

Other technical advances have also made FPSOs more cost-effective. New metal alloys, for example, have helped to reduce the cost of the flexible pipes which lead from the wells, located on the sea bed 1,500 metres from the ship.

Kerr-McGee executives expect the operating costs of the Gryphon to be relatively low. The vessel is not due to return to port during its planned 15-year stay in the North Sea. The double-skinned hull allows inspections to be made on site, says Roy Phillips, while the hull is protected from corrosion by an electrical system, or anode array.

But the big cost advantage of FPSOs over their fixed counterparts will come when the field is depleted. For the Gryphon, with a life expectancy of 40 years, will be able simply to weigh anchor and steam to a new site anywhere in the world.

Clive Cookson on a new 'super-microscope' facility for probing the structure of molecules

X-ray vision of the future

The world's biggest and brightest X-ray source, the £300m European Synchrotron Radiation Facility, begins operating this week.

Twelve European nations have clubbed together to build the ESRF in Grenoble, at the foot of the French Alps. It will give academic and industrial researchers a super-microscope for probing the atomic and molecular structure of materials.

Several thousand scientists are expected to use the ESRF over the next few years from many fields, including physics, chemistry, biology, materials science, geology, environmental studies and medicine. Applications range from examining surface corrosion of metals to identifying the structure of enzymes as potential targets in pharmaceutical research.

The ESRF has 11 X-ray beams in operation, generating radiation one billion times brighter than a typical hospital X-ray machine. By 1998, 40 beams will be available.

X-rays are well suited for probing molecular structures because their wavelengths – less than a millionth of a millimetre – are similar to the distances between atoms in molecules.

The main technique for discovering the structure of an unknown compound, X-ray crystallography, has been known for 80 years. Its best known success was in enabling James Watson and Francis Crick to propose a double helix structure for DNA.

But deducing a structure from an X-ray diffraction pattern is still a very tricky and time-consuming job; the brilliant, narrowly focused beams from the ESRF will give clearer patterns than conventional sources.

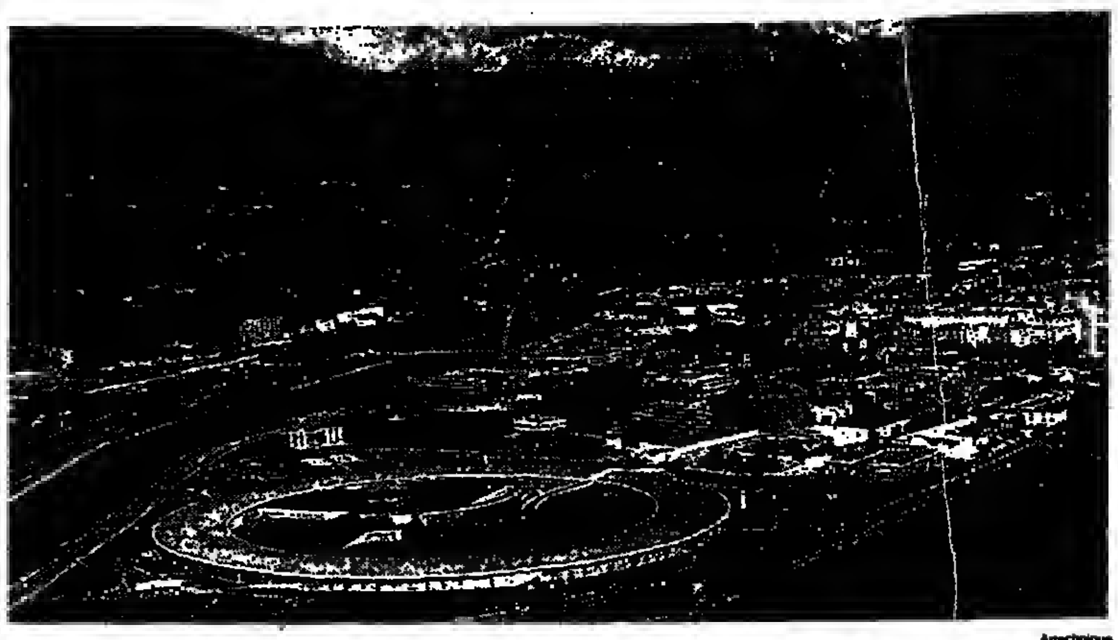
Synchrotron radiation is given off whenever charged particles are accelerated close to the speed of light. When scientists first observed the phenomenon in the primitive particle accelerators of the 1940s, they found it a nuisance because it diverted energy from the particles.

But by the 1960s they realised that synchrotron radiation was a useful research tool in its own right and they started to tap the X-rays emitted by accelerators that had been designed for fundamental physics research.

During the 1970s and 1980s, about 40 accelerators were built around the world as dedicated synchrotron radiation sources.

The ESRF is the first of a new generation of ultra-bright synchrotron machines. It will be followed by the US Advanced Proton Source, due to begin operations at the Argonne National Laboratory near Chicago in 1996, and Japan's SpRing-8 at Tsukuba science city in about 2000.

In the ESRF an intense beam of electrons, as thin as a human hair, accelerates around a giant ring 844 metres in circumference. An array of magnets keeps the beam in shape and controls the radiation. There are 64 "bending magnets" to direct the electrons around the ring, and special "wigglers" and "undulators" to make the beam twist and turn in a way that gives off particularly intense X-rays.



Arnechnique

Brilliant development: the first of a new generation of ultra-bright synchrotron machines starts operation this week in Grenoble

Industrial researchers will have two routes to using ESRF. If they want to keep their work secret, they will be able to buy time on the machine at a rate of £3,300 per eight-hour shift.

Alternatively, if a company intends to publish its experimental results, it can submit a proposal to the ESRF "peer review" panels which divide up the machine's "public time" between competing research groups according to their scientific merit.

Richard Oldman, a chemist at ICI, the UK chemicals group, has been allocated beam time during the first round of experiments this autumn, for a collaborative experiment with Keele University to investigate the structure of polyester, a common polymer (plastic). He and his colleagues will be making molecular movies, to see how the long polyester chains behave during industrial processing.

"Polyester is widely used in industry, for example to make plastic bottles for soft drinks," Oldman says. "We hope to learn more about the way the polyester chains relate to the mechanical properties of the bottle, so that we can sharpen up our processing and make stronger plastics."

ESRF will also have a medical beam. This will be perfectly suited to angiography, for example, enabling researchers to take detailed pictures of the fine blood vessels around the heart, whose narrowing is a sign of cardiovascular disease.

As well as the main public beamlines, which will be used for a great variety of short-term studies, the ESRF has reserved several slots for long-term projects. For example, the UK Engineering and Physical Sciences Research Council has given Malcolm Cooper of Warwick University and William Stirling of Keele University a £2.3m grant to build an X-ray facility for British scientists to study the structure of magnetic materials.

Cooper says there are several reasons why the ESRF will enable them to do research that would not be possible with less powerful national X-ray machines such as the UK Synchrotron Radiation Source at the Daresbury Laboratory in Cheshire. One is that ESRF beams "can be focused down to small focal spot sizes (less than 0.2mm by 0.3mm) so that small samples and thin films can be studied".

Even when the ESRF is fully operational, the demand for intense X-rays will be great enough to require new national synchrotron sources too, Cooper and Oldman say.

In the UK, government-funded research councils are considering spending about £100m on a Medium Energy X-ray Source as a successor to the Synchrotron Radiation Source at Daresbury. If MEXS goes ahead, it will start operating in 2001 or soon afterwards.

There is no doubt that X-rays have a brilliant future in materials research.

PEOPLE

Newton sails into Kingshott's harbour

Sir Wilfred Newton, 65, the former chief executive of London Transport, has been appointed non-executive chairman of John I. Jacobs, the small ship-broking and transportation group headed by Michael Kingshott, chairman of the Sally ferry line.

Kingshott, who reversed his private Sheertrucks vehicle transportation business into Jacobs a few months ago, wants to develop Jacobs into a broadly-based shipping, transport and property group.

The company is currently capitalised at less than £20m but is known to be interested in bidding for Embassy Property, where Kingshott is deputy chairman. Last week it agreed to manage the Dartford International ferry terminal and announced that the terminal's first customer will be Sally Freight which is launching a two-ship freight service between Dartford and Vlissingen.

Sir Wilfred (right), who sits on the boards of HSBC Holdings, its subsidiary Midland Bank, and Sketchley, qualified as an accountant in South Africa and had a varied career in industry before being appointed chairman of the Mass Transit Railway Corporation in Hong Kong in 1983.

Kingshott said that he had been keen to recruit a chairman who was not just a "mate of mine" and had a good knowledge of the transportation business. He said he had found

Sir Wilfred through his merchant bank (Hambros) and his own personal network.

Kingshott, the biggest single shareholder in John I Jacobs, intends to rename the company and appoint more non-executives to his board. Earlier this month, Paul Pascan, Sally Line's financial controller, was appointed a non-executive director.

Non-executive directors

■ Martin Hamilton-Sharp at NORTHERN INVESTORS COMPANY; Rhoderick Swire has resigned.

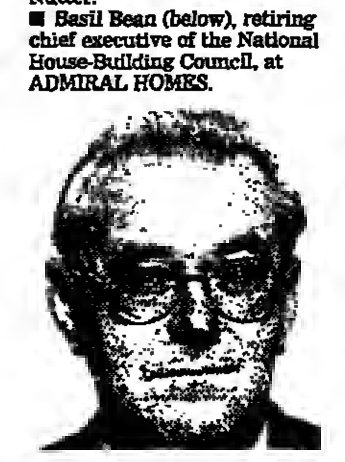
■ Anthony Herron, formerly a senior partner in Touche Ross, as chairman at HARRINGTON KILBRIDE.

■ John Craig, a director of the International Fund for Ireland, as chairman at BELFAST INTERNATIONAL AIRPORT HOLDING COMPANY.

■ Murray Air, vice-president strategic planning and development of Amoco Technology, at OXFORD MOLECULAR, which recently bought IntelliGenetics from Amoco.

■ Michael Bentley, former deputy chairman and chief executive of Electra Investment Trust, as chairman at ENVIRONMENTAL INVESTMENT COMPANY on the retirement of Graham Nutter.

■ Basil Bean (below), retiring chief executive of the National House-Building Council, at ADMIRAL HOMES.



■ Ronald Taylor has retired from S JEROME & SONS (HOLDINGS).

■ Peter Stanley, former chairman of Williams de Broe and former member of the Stock Exchange Council, at BWD SECURITIES.

■ Miles Templeman, md of Whitbread Beer, at the ALBERT FISHER GROUP.

■ Chris Thomas, chief executive of Hanson Industrial Services, and Peter Turner, an associate director of Hanson, at SCHOLES GROUP.

■ Lord Hartington, a director of private family companies including those managing Chatsworth and the family estates and chairman of the The British Horseracing Board, at SOTHEBY'a HOLDINGS.

■ Alan Fryer, a director of Smith & Nephew, at HUNTING.

Philip Jarrold: from puddles to pools

After four years in disposable nappies, Philip Jarrold has decided it is time for a change.

Jarrold, managing director of Peaudouce, the nappy manufacturer, is to head Vernons, Ladbroke's pools division, from next month. Jarrold, 44, had been with Peaudouce, part of the Swedish SCA/Molnlycke group, since 1990.

He has previously worked for Reed Elsevier, Kraft Foods and Mars.

Ladbroke said it thought Jarrold's experience would be vital in helping to counter the imminent threat of the national lottery, which begins in November. It said it particularly valued Jarrold's expertise in dealing with retailers.

Although pools coupons are often available in tobacconists' shops, their legal status in retailers' premises has been unclear. However, as part of the attempt to allow other

gambling products to compete with the national lottery, pools companies are being given a formal right to distribute coupons through retail outlets.

Foley quits Triplex Lloyd

Tha managerial merry-go-round at Triplex Lloyd, the West Midlands engineering group, took another whirl yesterday as John Foley stepped out as group managing director and Graham Lockyer stepped in.

Lockyer, 47, a former Dowty executive, joined Triplex Lloyd only in July as group operations director, reporting to Foley. Foley, 38, became finance director in 1989 and, since 1991, a partner with Colin Cooke, tha chairman, in the reorientation of Triplex Lloyd as a group concentrating on precision components.

Cooke said thare was "an amicable understanding" with Foley. "We need a atrong operations guy – we're a very technical company." Lockyer is just that in Cooke's view.

Folay's background is accounting and the law, while his talents, according to Cooke, "are more on the financial, acquisitions side".

Foley and Cooke have apparently been talking about Foley's future since early summer, so Lockyer's arrival foreahadowed Foley'a departure. "I'm perfectly relaxed about it. I'd like to go off and do other things," Foley says.

■ WEW, the company previously known as Amber Day which runs the What Everyone Wants chain of disconnt stores, bas lost another senior executive. Elaine Gray, 34, the buying director, bas left by mntual agreement for "personal and private reasons".

Peter Carr, chairman, says he is sorry to lose Gray, who joined the company at a young age and worked there for nearly 17 years.

Following tbe resignation last month of managing director Ian Grabiner, and the loss of a chief executive and two chairmen within the past two years, Gray's departure is a blow for the group, which is currently engaged in an expansion programme. However, Carr says recent restructuring of the buying department, witb the addition of four new people, will lessen the disruption caused by her departure.

■ Keith Hutchinson, joint deputy md of Wm MORRISON SUPERMARKETS, is taking early retirement because of continuing ill health.

ARTS

Pre-Raphaelites unbuttoned

William Packer admires the exhibition of drawings at the BM

The richness and scope of the collections in the British Museum's Department of Prints and Drawings alone, to say nothing of the whole place, are an unending source of surprise and delight. And it is gratifying to discover that even in these lean times, the work of scholarly accumulation has quietly gone on. Two new displays, drawn entirely from within the collections, the one of English drawings and weter-colours, the other of French Prints, neatly make the point. Both are comparatively modest in scale, yet both are as comprehensive as one could wish.

But why ere drawings still so much the province of the specialist and connoisseur? Is it that they, vulnerable end fugitive, are altogether tco problematical for the ordinary collector? Is it that the market itself, conforming to prejudice, is still reluctant to set an inherent rather than e comparative value to works on paper, save with proven or rarer masters?

For myself, I would as soon be engrossed by drawings, old or new, as by any of the more substantial works, to which, perhaps, they led. For with drawing we find ourselves taken immediately into the intimate presence of the artist, unselfconscious in his private engagement with his subject, his interests and ideas. We are with him in his scrutiny of the figure or object; with him as he teases image from imagination; ever following his hand across the page.

In all of this the pre-Raphaelites are admirable companions. In their youthful, mid-Victorian, high-minded earnestness, they can be quite as off-putting as they are fascinating. We may admire the technical accomplishment and beauty of the work, and yet recoil still from the religiosity, the sentimentality, the priggishness. Or so we might say of the full-dress paintings.

But here they are with their collars loosened, as it were, lively and personal in their address and as light-hearted and funny as they are serious. They work up their formal compositions as the merest sketches and cartoons; they draw their models and lovers with easy familiarity and affection; they sit in the field and paint the barns and houses as the sun goes down.

And yet, for all the apparent informality or simplicity, these are works of real echievement, and often the more so for being so slight or modest. Millais' skinny lady delicately cuts a flower from the trellis, her little boy up to no good by her side, an image that contrives to be et once ideal, statuesqoe and e miracle of amused and accurate personal observation. Rossetti turns incessantly to his adored Miss Siddal – now standing, sitting, daydreaming, now wind-swept on the beach with e gentleman friend.

Charles Collins' etudies for his "Railway Accidant" combine poignancy with reality, the lady anxious at the clerk's ehoulder as the news comes through on the telegraph. Ruskin paints the ivy on a rock, George Boyce, exquisitely, a Streatley farmhouse, Henry Holiday two women in fancy-dress, Burne-Jones a wistful Annunciation. Frederick Sandys' drawing of stunning Ruth Herbert is magnificent. There are many such treats.

The Shadow of the Forest, in the same room, is a collection of prints by the artists of the Barbizon School, more or less the pre-Raphaelites' contemporaries. Barbizon is a village on the edge of the Forest of Fontainbleau, south-east of Paris, which artists had been visiting since the early 19th century. The ascription to it of a school of painters is more convenience than hard art-historical fact, for artists came and went in the loosest of fellowships. It is rather in their commitment to working close to the landscape in the open air, in which they fore-shadowed the Impressionists, that the significance of Barbizon's painters lies.

They were by no means the first to do so, and the show makes no secret of their influences, from Constable and Bonington to Rembrandt and Ruysdael. Nor were they principly print-makers. But the print, the etching especially, has always been attractive to artists for its convenience, given a workshop, and directness. The multiple image largely met the prohlem of permanence, and there was throughout the 19th century the ever-growing attraction of publishing editions for the mass market.

Drawn into the intimate presence of the artist: 'Found', 1853, by Dante Gabriel Rossetti

But the engraved reproduction of paintings is a secondary husiness and less interesting in this context than the artist's direct engagement with the image, the plate and the processes of the print. A smaller edition could always echieve e reasonable return. All the major figures are represented in this way – Millet, Daubigny, de la Pena, Corot, besides Jongkind and Israels from the Hague.

In every case, the closer they stay to the direct act of drawing, and to the particular qualities of line and tone that only the etching can achieve, the hetter. And Corot stands out among them all for the sheer bravura of his line and touch. His use of the now obscure *cliché-verre*, that marries etching to photography, could not he more sympathetic.

Pre-Raphaelite Drawings in the British Museum: Shadow of the Forest - Prints of the Barhizon School: both exhibitions at the British Museum, Great Russell Street WC1, until January 8.

Concert/**David Murray**

Mahler's 2nd

All the equipment was in place for Mahler's Symphony oo. 2 at the Barbican on Sunday, the second instalment of Michael Tilson Thomas's Mahler cycle. The London Symphony was on cracking form, with the requisite extra hrass, and the London Symphony Chorus in glad cry; two excellent solo voices made vivid personal contributions (very welcome) to the massive sound. This was certainly a "Resurrection" Symphony to wake the dead.

If you detect e note of reserve in this, it may indicate nothing more than a jaded appetite. Mahler's grandiose canvas was brightly lit up (granted a couple of smudges in the offstage hrass, which made no difference), and the newly improved acoustic proved itself again at the monster climaxes – plenty of impact, without clotting or congestion. There was little in the way of chiaroscuro, nor does the Barbican Hall afford much room for depth-effects.

Tilson Thomss delivered the score with sharp precision and some mildly unusuel ideas. The tow-strings recitative at the start was fast and hard, *tempo giusto*, a far cry from the sullen lament thet older conductors used to make of it, but most of that opening movement was solemn and quiet; so too the Andante moderato, though tautly measured. Contrariwise the Scherzo, made newly famous by Berio's *Sinfonia*, went like the wind: the sense of a sinister *moto perpetuo* was enhanced, et the loss of any black humour.

The "Urlicht" movement went to the Parisian contralto Nathalie Stutzmann, whose exquisitely wrought line came in a lovely, dusky timbre. Suddenly the symphony showed a human face. Nina Stemme (Cardiff's "Singer of the World" last year) joined her in the Finale, with a fine-spun, tremulous tone perfectly adapted to her music. The timpani thundered mightily, and the Chorus roared their heads off. One felt a hit battered at the end.

What to play with Mahler Two is always a problem. It is a tad short for an evening, but hardly brooks anything substantial by way of programme-filler. Tilson Thomas opted for a little Oliver Knussen commission from six years ago, his racing, twinkling "Flourish with Fireworks" (it nods gracefully to Stravinsky's *Fireworks*), and an earlyish Krenek piece *Die Nachtigall*, for coloratura soprano with flutes and strings, in which Sarah Leonard warbled with all her customary charm. It seemed hardly ten minutes before we were out in the bar again for the interval.

Opera in San Francisco/**Timothy Pfaff**

Dangerous Liaisons

Two centuries end numerous stage and screen adaptations later, *The Dangerous Liaisons* emerged in a naw incarnation as The San Francisco Opera mounted the world premiere of Conrad Susa's and librettist Philip Littell's opera.

It is baffling that the company commissioned Susa to create its first full-scale premiere in 18 years. It had previously produced two Susa operas for a spring season *(Transformotions)* and for its apprentice singers *(The Love of Don Perlimplin)*, neither of which proved musicelly memorable occasions. While *Lioisons*, now being filmed for television, may well prove more memorable, its musically faceless score is unlikely to linger long in the mind.

Ironically, for an opera about people obsessed with appearances and style, Susa's score is virtually devoid of a unifying musical style – or even personality. The orchestral carpet is a tangle of meandering sounds and the vocal writing lacks tension, shape, and even a rudimentary sense of direction. But for all that, San Francisco's expert cast, headed by Frederica von Stade as the Marquise de Merteull and Thomas Hampson as the Vicomte de Valmont, took to the vocal parts as if they were top-drawer Verdi.

Strangely, the most obvious blemish on Susa's score, its orchestration, may not represent his own work. The programme discreetly identified Donald Ontiveros, Manly Romero, and an entity called Music Publications Technologies under a new category, "Orchestration and editorial assistance." And in the weeks preceding the premiere there were rumours of other people, with the requisite musical acumen (or the right software), orchestrating this passage or that.

Music director Donald Runnicles lent his customary tireless energy and cogent leadership to the enterprise, hut there is a limit to what even a music director can ask.

In most other respects, the makings of a promising opera seemed on hand. Littell's English verse libretto – drawn directly from the Pierre Choderlos de Laclos novel – proved serviceable, although Susa's heavy hand with the musical appliqué did make one grateful for the surtitles. Production director Colin Graham cleverly realised the letter motif that underlies every aspect of this complex tale and effectively staged the overlapping of scenes, characters, and even time and space frames that are at the heart of Littell's play.

Resident designer Gerard Howland's fluid settings and costumes unearthed subtle connections within the overall picture of decadent beauty. And Thomas Munn's lighting was dramatic and narralive in its own right. All that said, it was the cast that made the work as involving as it became. (Subject matter notwithstanding, the long first act was simply dull.) As the Marquise de Merteuil, Frederica von Stade was formidable and husky of tone one minute, vulnerable and kittenish the next, and typically – hut arrestingly – sympathetic in her portrayal.

Thomas Hampson's Valmont was similarly fine-grained, convincingly sinister and susceptible without once defaulting to stage cliché. Renee Fleming's melting, then molten, performance as the tormented Madame de Tourvel took over the second act, as it should.

Judith Forst's imperious Madame de Volanges, Mary Mills' complex and affecting Cecile, and Johanna Meier's worldly-wise Madame de Rosemond were accomplished, affecting musical characterisations. Australian tenor David Hobson's Danceny was convincingly hormonal hut had yet to come into focus. The comprimario roles were played faultlessly.

Despite the cumulative theatrical power of this *Liaison's* second act, it is so musically evanescent as to become, in the end, insubstantial and unmemorable. As currently scored, Conrad Susa's *The Dangerous Lioisons* becomes the latest entrant in e dispiriting string of American opera premieres. In a savagely defiant final tableau, von Stade's Merteuil – in a harsh caricature of Strauss' *Capriccio* Countess departing for a dinner of Weltschmerz – exits with the raspy, vulgar exclamation, "I'm hungry." So, it happens, are we.

The Tate short-lists 13 to build for the millennium

The race is on to design one of the most prestigious of the millennium projects, and one that seems likely to get the go ahead – the Tate Gallery of Modern Art on London's Bankside. Yesterday 13 architects were short-listed, with the field being whittled down to five by November 21, and the winner to be ennounced in February.

Two leading British architects, Norman Foster and Richard Rogers, who are already involved with millennium projects at the British Museum and the Sonth Bank, decided not to submit. The candidates going forward, in an international list, are Alsop & Störmer; Arata Isozaki (Japan); David Chipperfield; Future Systems; Herzog & de Meuron (Switzerland); Michael Hnpkins; Nicholas Grimshaw; Office for Metropolitan Architecture (Netherlands); Rafael Moneo (Spein); Renzo Pieno Bnilding Workshop (Itely); Rick Mather; Rolfe Judd/ Claudio Silvestrin; and Tadao Andn (Jepan).

The building will cost et least £40m (while the overall cost will be £80m) and wnrk should start in the summer of 1996 in readiness for an opening in 2000. The Bankside project is unusual in that it involves an existing huilding, Gilbert Scott's 1947 power station, most of the exterior of which will be retained. Because the gallery will house meinly internationel art, there seems to be no prejudice against an overseas architect and Tadao Ando has already been tipped as e possible winner.

Now the Tate's director, Nicholas Serota, will embark on an acquisition drive to plug the gaps in the Tate's modern collection before 2000. He will buy works, hut also hopes for gifts from Friends of the Tate and will be approaching leading artists asking for fine examples of their work in return for immortality.

Meanwhile work will start next year nn the revamp of the old Tate, which will increase the space available to show British art hy e quarter. It is made possihle by e £12m donation from an anonymnus American benefactor.

Antony Thorncroft

Theatre in New York/**Karen Fricker**

Philadelphia, Here I Come

The New York theatre season is off to a promising start with Joe Dowling's top-notch revival of Brian Friel's early play *Philadelphia, Here I Come*, at the Roundabout Theatre.

After the Broadway failure last yeer of Friel's strained, heavy-handed *Wonderful Tennessee*, New York needed to see this Irish playwright at his best. And *Philadelphia*, which premiered in Duhlin in 1964 and on Broadway in 1966, is *echt* Friel: poetic, wistful, eching, and funny, it is full of the playwright's characteristic fascinations: memory, the isolation of e transcendent moment of happiness, and ebove all, the Irishman's search for personal and national identity.

Like many of Friel's plays, *Philadelphia* is set in the fictional town of Ballybeg, on 25-year-old Gareth O'Donnell's last night in Ireland before he leaves, probably forever, for America. Gar is of two minds ehout going away, which Friel represents quite literally: two actors play Gar, one his outer self (Jim True), and the other his privete thoughts (Robert Sean Leonard).

His mother long dead, Gar lives and works with his uncommunicative father (Milo O'Shea), who still treats the young man as if he were a child. In the play's best scene, father and son exchange banalities at the dinner table, while Gar's *alta ego* mocks, curses, wheedles and exhorts the expressionless older man.

Even more tragic than the boy's non-relationship with his father is his estrangement from himself. Behind closed doors, hoth public and private selves come alive, but around other people, Gar watches life happen, inwardly commenting on the action hut unable to participate. Gar's passivity has already bred one cataclysmic mistake: he let the girl he still loves (the radiant Miriam Healy-Louie) get swey, a painful episode he recalls in flashback.

Most of the play, however, progresses in real time, as various people pass through the house to give Gar their regards. As much as Friel casts a cynical eye on Irish society, he does not romanticise the alternative: America's representative is Gar's brash and pretentious Irish-American aunt, whose invitation to Philadelphia offers Gar his escape.

Dowling's production has a marvellously directorless quality, as if the events on stage were happening for the first time. The two young actors are excellent. True plays ooter Gar like e hrooding time homb, while Leonard is e fine inner Gar, capturing hoth the character's cynicism and his childishness. The redouhtable O'Shea and Peuline Flanagan fit so naturally into their roles as the father and his loving but acid-toungued housekeeper that John Lee Bestty seems to have designed them as part of the picture-perfect set.

American appetites whetted for more Friel will be sated later this season: Noel Pearson is planning a Howard Davies-directed Broadwey production of the playwright's 1981 *Translations* in March, and talk of bringing Friel's latest, *Molly Sweeney*, to New York has surely escalated after the *New York Times'* rave review of its premiere production at Dublin's Gate Theatre earlier this month.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Jessye Norman song recital. Tomorrow: Lev Markiz conducts Nieuw Sinfonietta Amsterdam in works by Mendelssohn and Liszt. Fri: Edo de Waart conducts Radio Philharmonic Orchestra in Dukas, Brahms and Bartok, with violinist Alexander Barantschik and celliet Floris Mijnders. Sat, next Mon and Wed: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Wagenaar. Beethoven and Brahms, with piano soloist Karin Lechner. Sun morning: Frans Brüggen conducts Radio Chamber Orchestra in Schumann and Brahms, with violin soloist Thomas Zehetmair. Sun afternoon: Jan-Willem da Vriend conducts Combattimento Consort in baroque programme. Oct 9: Alfred Brendel (020-671 8345)
Muziektheater Tonight: Nederlands Dans Theater in choreographies by Kylian and Naharin. Tomorrow, Fri: Hartmut Haenchen conducts final performances of David Pountney'a production of Lady Macbeth of Mtsensk. Sat: Graeme Jenkins conducts first of 11 performances of Jürgen Flimm's production nf Le nozze di Figaro, with cast headed by Dean Peterson and Joan Rodgers (020-625 5455)

■ ANTWERP

de Vlaamse Opera A new production of Don Giovanni, conducted by Silvio Varviso and staged by Guy Joosten, opens on Fri (repeated Oct 2, 4, 6, 8, 11). The cast is headed by Jeffrey Black, Hillevi Martinpelto and Patricia Racette (03-233 6685)

■ BRUSSELS

Théâtre National Tonight: Belgian premiere of Tony Kushner's Angels in America (first part - Millenium Approaches), directed by Brigitte Jaques. Daily except Sun and Mon till Oct 19 (02-217 0303)
Palais des Beaux Arts Tonight: Philippe Herreweghe conducts Orchestre des Champs-Elysées in works by Mendelssohn and Berlioz. Thurs: Alicia de Larrocha piano recital. Fri: Antoni Wit conducts Belgian National Orchestra, with young prizewinners as soloists. Next Tues: Murray Perahia piano recital (02-507 8200)
Monnale Sat: first night of new production of Tristan und Isolde, conducted by Antonio Pappano and staged by Achim Freyer, with cast headed by Ronald Hamilton and Anne Evans. Repeated Oct 5, 9, 13, 18, 22 (02-218 1211)

■ CHICAGO

MUSIC
Lyric Opera Tha opening production of the season is Boris Godunov, staged by Stein Winge and conducted by Bruno Bartoletti (next performances tonight and Sat, continuing till Oct 14). Samuel Ramey sings the title role in most performances, but is replaced by Vladimir Metorin on Oct 1 and 5. Graham Vick's new production of The Rake's Progress opens on Sun efternoon, with e cast headed by Jerry Hadley, Ruth Ann Swenson, Samuel Ramey and Felicity Palmer (312-332 2244)
Chicago Symphony Daniel Barenboim conducts e choral programme tonight featuring Bruckner'e setting nf Psalm 150 and the Beethoven Choral Fantasy. Barenboim also conducts a Schoenberg and Brahms programme (Sep 29, 30, Oct 1, 2 and 4) and Bruckner's Eighth Symphony (Oct 6, 7, 8). The Newport Jazz Festival, featuring 11 well-known artists playing New Orleans jazz and swing, hosts a concert on Fri (312-435 6666)

THEATRE
● A Clockwork Orange: the American premiere of the stage version of Anthony Burgess' classic novel. Opens tonight at Steppenwolf Theater (312-335 1650)
● Laughter on the 23rd Floor: Neil Simon's newest comedy about the golden days of live TV comedy (Briar Street Theater 312-348 4000)
● Later Life: A.R. Gurney's lovely, ruminative play about finding romance after the age of 40 (Northlight Theater 312-327 5586)
● Angels in America: Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Cohn (Royal George Theater 312-988 9000)

■ GENEVA

● Anne Sofie von Otter and Gösta Winbergh are soloists in Mahler's Das Lied von der Erde in concerts by the Suisse Romande Orchestra tonight and Fri at Victoria Hall and on Thurs in Lausanne (022-311 2511)
● Idomeneo, conducted by Armin Jordan and staged by Christopher Alden, is given e final performance tomorrow at the Grand Théâtre. The next production is a ballet mixed bill opening Oct 10. Peter Schreier gives a song recital on Oct 13 (022-311 2311)
● St Petersburg'e Tovstonogov Theatre presents a two-week run of Ostrovsky's Diary of a Scoundrel at Théâtre de Carouge, opening on Sat (022-343 4343)

■ THE HAGUE

Dr Anton Philipszaal Thurs, Fri, Sun afternoon: Günther Herbig conducts Hague Philharmonic Orchestra in works by Hindemith and Brahms (070-360 9810)

■ ROTTERDAM

De Doelen Tonight: Orlando Quartet plays string quartets by Haydn, Shostakovich and Brahms. Tomorrow: Mozart choral and orchestral concert. Fri: Hans Vonk conducts Rotterdam Philharmonic Orchestra in works by Beethoven and Schat, with piano soloist Jean Bernard Pommier. Next Mon: Frans Brüggen conducts Radio Chamber Orchestra in Joachim, Schumann and Brahms, with violin soloist Thomae Zehetmair (010-217 1717)

■ VIENNA

● The State Opera Ballet has e new production at the Volksoper based on Lehar's Die lustige Witwe, choreographed by Ronald Hynd. The State Opera will remain closed for technical alterations till Dec 14, but Riccardo Muti will conduct seven performances of Cosi fan tutte at Theater an der Wien, beginning Oct 30 (51444 2959/51444 2969/513 1513)
● Peter Handke'e wordless play The Hour We Knew Nothing of Each Other joins the repertory of the Burgtheater this week, in the international touring production directed by Luc Bondy. The Akademietheater has Wolfgang Engel'e new production of Shakespeare'e Titua Andronicus (51444 2959/51444 2969/513 1513)
● Jukka-Pekka Salonen conducts the Finnish Radio Symphony Orchestra at the Musikverein on Sun and Mon in works by Sibeliue, Lindberg and Nielsen, with piano soloist Paul Crossley and soprano Soile Isokoski (505 8190)

■ WASHINGTON

MUSIC/DANCE
● Neville Marriner conducts the Academy of St Martin in the Fields on Sat late afternoon at Kennedy Center Concert Hall. Tha programma includes Tchaikovsky's Violin Concerto (Leila Josefowicz) and Elgar's Enigme Varietions (202-467 4600)
● Ballet Folklorico de Mexico gives performances at the Lisner Auditorium on Sat and Sun, with choreographies by Amalia Hernandez (202-833 9800)
THEATRE
Flyin' West: this play ebout courage and frontier justice in late 19th century America, produced by New Jersey's ecclaimed Crossroads Theatre, runs at Eisenhower Theater till Oct 9 (202-467 4600)
● The Rise and Fall nf Little Voice: Jim Cartwright'e pley, about e young girl with an ability to mimic pop female vocalists, runs till Oct 9 at Studio Theater (202-332 3300)
● A Perfect Ganesh: Terrence McNally'a play about two New England matrons on e personal quest journeying through India. Till Oct 30 et the Kreeger (202-488 3300)

■ ZURICH

Opernhaus Thurs, Sat: Adam Fischer conducts Gesare Lievi'e new production of Le Generentole, with cast headed by Cecilie Bartoli. Fri: choreographies by Bernd Bianert, music by Mozart. Sun afternoon: Die Zauberflöte. Sun evening: Tosca with Mara Zampieri and Neil Shicoff (01-262 0909)
Tonhalle Tonight, tomorrow, Thurs, Fri: Michael Stern conducts Tonhalle Orchestra in works by Smetana end Tchaikovsky, plus world premiere of Jindrich Feld'a Concerto for Flute and Piano, with soloists James Galway and Phillip Moll. Sat: Edmond de Stoutz conducts Zurich Chamber Orchestra in all-Mozart programme, with piano soloist Andreas Boyda. Sun: James Galway flute recital. Mon: Lilya Zilberstein piano recital. Galway has three more concerts next week (01-261 1800)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austrie, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: Frence, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Chennel: FT Reports 1230

FRIDAY
NBC/Super Chennel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Gateway to China

Simon Holberton on investment banks moving into Hong Kong

Investment bankers are moving into Hong Kong.

It is not that they have decided that the colony's transition to Chinese rule, in 1997, is likely to be trouble-free. Nor are they overlooking the chances of financial turmoil, as the Hong Kong dollar's link to the US dollar is tested in the run up to, and during, the changeover.

But they have decided that Hong Kong is just too good an opportunity to miss, as both the gateway to China and as a regional hub for the booming economies of south-east Asia.

The number of employees and offices in the colony have risen sharply this year. Swiss Bank Corp now employs 400 people, against 340 a year ago. Goldman Sachs has grown more rapidly, now employing more than 400 people in Hong Kong, compared with around 200 a year ago. Morgan Stanley currently employs 450 people in Asia (excluding Japan) and expects that figure to rise to 530 by the end of this year, from 320 last year.

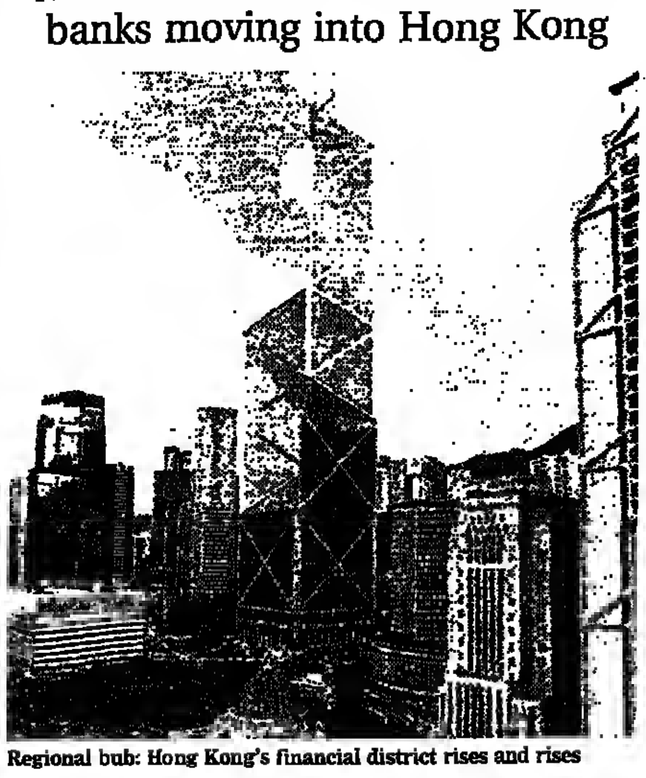
"If you look at the growtb rates in the region then basic maths tells you that there are going to be enormous opportunities in the issuance and trading of securities," says Mark Evans, managing director of Goldman Sachs (Asia).

Hong Kong is close to the customer, be says, and investment banking is a client business: "To work for the best issuing and investing clients in the region, you have to be local and in the local information flows." It is on this basis that investment banks are reorganising their global operations. Jobs that were once done in New York, London, Tokyo or Zurich are being transferred to Hong Kong as the volume of business grows.

Swiss Bank Corporation has relocated its global head of equity trading to Hong Kong from Zurich; it also plans to station its deputy chief executive in Singapore. Warburg has transferred a four-person capital markets team from London to Hong Kong to provide on the ground expertise for capital bungry Asian companies. Salomon Brothers has created a "syndicate desk" in Hong Kong responsible for Asian equity transactions – formerly bandled from London.

But many of the regional jobs are coming to Hong Kong from Tokyo, with banks concentrating on Japanese business alone from Tokyo.

Salomon Brothers upgraded Hong Kong to take charge of its Asian business, excluding Japan, earlier this year. Staff expect that within a year the Hong Kong office will also boast a main board director. This will be in addition to a board director in Tokyo.



Regional bub: Hong Kong's financial district rises and rises

Japan still possesses the largest and most liquid financial markets in Asia – markets wbere investors can execute large transactions involving derivatives, sucb as futures, options and swaps. But "the Chinese and Asian client likes to be serviced out of Asia and although Japan is in Asia it's not quite the same," says one US investment banker. "Tokyo is a long way away."

Hong Kong's market, tbe largest in Asia after Tokyo, is relatively small. Stock index options were only introduced last year, while the biggest derivative instruments sre warrants and index futures. But Hong Kong, not Tokyo, is the place to tap into the powerful networks of overseas Chinese.

Overseas Chinese, numbering 20m-30m people, make up the merchant class in much of Asia, dominating economic life in Indonesia, Malaysia, Singapore and Indochina. However, although large in number and in wealth, they keep a low profile. There are large anti-Chinese lobbies in many of the countries in which they do business. There were anti-Cblnese riots in Indonesia earlier this year and the Malays have been pushing for years for a fairer distribution in economic power.

For this reason, they prefer to hold their public assets in Hong Kong. The colony is a Chinese city and a free market. Unlike Singapore it is also an easy place to do business.

The banks, themselves, are wary of Singapore. They see it as a market wbere information flows are restricted by government sensitivities – with limits on how frank tbey can be and even greater limits on how provocative they can be.

Banks are, nonetbeless, expanding their operations in Singapore, and other Asian emerging markets.

Typical is Warburg, whicb currently employs about 250 in Hong Kong. Mr Rodney Ward arrived in Hong Kong this summer with the aim of "building an integrated investment banking business that has a base in Hong Kong and is spread througbout Asia". He says that most of the bank's expansion in staffing will be in Korea and Taiwan – which Warburg will soon upgrade to full branch status – and possibly in Singapore.

But by far the the bulk of banks' expansion plans are for their Hong Kong operations. Many of Asia's other markets are monitored by regulators, wbo are wary of foreign securities companies and worried that they may lose control of their exchange rates and markets to foreigners.

Hong Kong also has the advantage of its proximity to China. Many overseas Chinese are using their operations in Hong Kong as a springboard into China, raising capital in the colony for operations on the mainland.

Typical is the Lippo group, an Indonesian Chinese group, wbich bolds most of its public assets in Hong Kong, but is directing its operations at business opportunities in finance, hotels, electrical power and ports on the mainland, especially in Fujian, tbe group's ancestral home.

Banks also see the colony as a gateway to China. Many have stationed tbeir "China teams" in Hong Kong, until they can be transplanted to Shanghai or Beijing – using the colony as a staging post to marshal their resources. These operations sre necessarily more short-term.

But most of these investments are being made on the basis tbat tbe investment banks intend to stay in Hong Kong. They are not expanding with the intention of getting out tomorrow. Banks are betting on the colony as a future financial centre.

Sbould times become too troubled, the banks would be able to move out of Hong Kong just as quickly as they are moving in. Investment banking is a relatively mobile industry.

And tbey see their other Asian offices as a way of spreading their risk: "You could do it all from Hong Kong but you don't put everything bere; political risk militates against that so you build up the regional offices," says one banker.

But what tbey are really betting on is China. Says Mr Ward of Warburg: "While there will be undoubtedly political uncertainty, Hong Kong's importance as a financial centre will continue. You either believe in Cbina or you don't. We do."

Joe Rogaly

Helping Providence along

The changes to the Labour party are not quite complete. There is more work to do. For a start there is tbat dreadful colour, red. Blue is so much more sympathetic. Tben there is that awful song, tbe *Red Flag*. Surely something better could be sung at the conclusion of next week's party conference? *Land of Hope and Glory*, possibly? Tbe delegates might be given little Union Jacks to wave as the leader takes his bows. Not least is the need to look again at the party's name. We must be frank here. On its track record of the past 15 years, "Labour" is not exactly bankable as a barvester of hearts, minds and little crosses on ballot papers. The word "Conservative" springs to mind. That has proven potential.

Yeah yeah. Say it. The old cracks are truly the best ones. The line about *Land of Hope and Glory* la to be found in this morning's "open letter to Tony Blair" from Demos, an eclectic think-tank. The Labour leader is doing well, but he cannot avoid sucb observations. During the past few years he has given some of us the impression that he seeks to make truly revolutionary changes to the Labour party. I suspect that, if he could, be would rename it – not "Conservative", of course, but, say, "Democratic".

Short of the absurd, Mr Blair will do what he believes is necessary to win. Perhaps he is mindful of the sermons of Hugh Blair, an 18th century divine wbose works were known to Jane Austen. I like to imagine that the long-forgotten clergyman to whom she refers in Mansfield Park is one of the Labour leader's ancestors. "Let us then neglect no means which may be of avail for procuring the grace and favour of that divine Providence on which so much depends," this ancient Blair presched. "Because Providence is superior to us, it does not follow that therefore man has no part to act; or because our industry is sometimes disappointed, that therefore it is always in vain."

To date, little of Mr Blair's industry has been without fruit. Not content with snatching the label of purveyor of law and order from the Tories, he is engaged this week on an exercise designed to portray the government as a bunch of profligates, and the people's party as the ark of fiscal prudence. Yesterday Ms Harriet Harman was put up to deliver an ingenious recalculation of tbe public expenditure tables, allocating so mucb to "rescue" spending and so mucb to "renewal". It appears tbat the former has risen and the latter fallen. Fancy.

The traditional left is a damp squib. It should be called the Pipsqueak tendency. As critics they are easily squashed

We need not spend time debating whether the shadow chief secretary's sums are accurate. That is beside the point. What is going on is the manipulation of our perceptions. The Tories are branded tax liars, which is only right considering their ruthless disregard of veracity during tbe April 1992 election campaign. They have failed to manage the economy properly, says Labour, with less chance of heing believed now that the prospect of a long period of non-inflationary growth lies before us. Never mind. We are to take it that "rescue" spending, on social security, is the consequence of Conservative economic failure. Today Mr Gordon Brown, the shadow chancellor, will follow through with the argument that the old dispute about which party is likely to tax us more belongs to a bygone era. The terms of the debate are to be changed. There are no quick fixes on offer. Labour, he will intimate, will invest for the long term.

Decoded, this had hetter mean "no new taxes", or it will not help Providence to do its work of granting the opposition a spell in government. Mr Brown need not say as much in so many words. Like Mr Blair the shadow chancellor is blessed by his opponents, both inside his party and heyond. Think about it. The Labour left, depleted in numhers, is still quoted on the airwaves. There will be trouble at next week's party conference, the broadcasts warn us. It does not sound like much of a threat to me.

The trsditional left is a damp squib. It sbould be called the Pipsqueak tendency. Yet Mr Peter Hain and Dr Roger Berry, botb MPs who cast doubt on the Brown-Blair-Harman strategy, serve a useful purpose. As critics who are easily squashed, they give verisimilitude to the centrist proposition that Labour modernisers want us to digest. The Conservative chief secretary to the treasury is equally helpful. "I can hardly believe my ears," said Mr Jonathan Aitken yesterday, after hearing Ms Harman's remarks. "Here we have tbe shadow chief secretary attacking the Tories over money they are spending on the poor and the unemployed."

Precisely. Labour's pitch is that it will manage a dynamic market economy better than the Conservatives. When it succeeds, it can help the worse-off. Wealth creation first, redistribution, maybe, to follow. It is not socialism, hut Providence has little patience with that outmoded creed. The new doctrine is impertinent, hut no more so than Mr Blair's campaign on cutting down crime, or his statement that he thinks it better for children to be raisd by two parents than one. He is running for office in a conservative country, and must campaign accordingly.

There is plenty of evidence in favour of such an accommodatlon. A uew Fabinn pamphlet, *Any Southern Comfort*, by Giles Radice and Stephen Pollard, draws on focus group reaearcb to establish that while Labour is better regarded than it was, it is still on probation. White collar and skilled manual employees, floating voters to a man and woman, are worried about crime, jobs, health care, their children's futures. These anxieties have arisen under a succession of Conservative ministries. Lahour is correct to concentrate on them, but it has not yet oonvinced sufficient potential converts that it will make the streets safe and enlarge the employment market without raising taxes or restarting inflation.

Labour's theft of chunks of the Tories' image is a direct response to this kind of researcb. It may not please Demos, whose wlsb-list demands that Mr Blair produce a vision of Britain as a "teleworkshop of ths world". He is asked to end middle class tax reliefs to finance a basic income tax rate of 15 per cent, as suggested by Mr Frank Fiald some years ago, and adopt otber policies regarded by Demos nuthors as radical. And why not? We all project our fantasies on to Labour's changing screen. Mr Blair's joh is to select those that assist Providence to assist him.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Uncertain workers' rights

From Mr John Hall.

Sir, Your leader, "Workers' Rights" (September 21), rightly points out that the principle of security of employment established by tbe European Commission's Acquired Rigbts directive is inappropriate when applied to sbort-term contracts for public services.

While the revised directive to whicb the Commission has agreed goes some way to solving this problem, the wording is so uncertain that its scope could only be properly determined after litigation in the European Court.

Companies in tbe service sector have faced two prohlems with the directive over the past two years; the problem of applying it to service contracts, and legal uncertainty as to wbether it applied in the first place. While the former might ultimately be solved by the Commisaion's proposal, this would follow a renewal of uncertainty whicb could take years to resolvs.

Further clarity is required. Fortunatsly, the revised directive remains to be agreed by tbe Council of Ministers. It appears that several member states are now as concerned as the British government at the impact of the directive on their programmes of privatisation and contracting out.

Because of tbis, business interests across Europe must press for their national governments to demand further changes, clearly excluding service contracts from the scope of the directive, before it is agreed to by the Council of Ministers.

John Hall,
director-general, Business Services Association,
28-34 Eagle Street,
London WC1R 4AN.

Dissent because of misleading figures

From Mr Donald A Main.

Sir, In his article (The Long View: "When numbers deceive", September 24), Barry Riley expresses his concern at the obstacles in the way of measuring true performance. In the process, be castigates tbose who do not report return on capital and those who have problems with the latest accounting standard concerning acquisitions. One effect of new accounting rules passed by the majority of the Accounting Standards Board is that figures for return on capital will become increasingly misleading because reported capital will not contain the total cost of acquisitions.

This was one reason for my dissenting opinion at the ASB.

Donald Main,
Mahogany Hall, The Common,
Chipperfield, Herts WD4 9BX

Criticism of progress in India

From M Mohandas.

Sir, Stefan Wagstyl's analysis of India's economy ("Not nearly radical enough," September 19) deserves praise as it was very constructive and accurate.

I also trade with a very reputahle Indian company and all the Indian businessmen I meet are unanimous in their criticism of the stow progress of Indian economic reforms. There are still many areas where the reforms have not achieved any real change. Foreign investors still have to pay hefty capital import duties for machinery. Interstate taxes also need urgent reforms.

As for Srichand Hinduja's letter (September 22) criticising Stefan Wagstyl's article, I cannot see it serving any useful purpose other than highlighting his involvement in power plant developments in India. It is also interesting to note Gordon Wu of Hopewell Holdings of Hong Kong is planning $12.7bn power plants in India. This is even better news for India.

M Mohandas,
1 Park Avenue,
London N3 2EJ

Consistency on prices

From Mr Ian Byatt.

Sir, Peggy Hollinger's article, "Water company appeals to MMC on price caps" (September 22) suggests that I have taken a tougher approach with South West Water as it had the higbest charges and price increases since privatisation in 1989.

The Monopolies and Msrgers Commissions will doubtless look at this. I contend that the methodology I used in setting price limits was applied fairly and consistently across all companies.

It is not true that I promised South West Water (in 1991 at the time of its interim determination) price increases after 1995 similar to its current K-factor of 11 per cent. At that time I had already announced that I would be resetting all the company price limits from April 1 1995, including South West Water's, at a periodic review in July 1994. It is only at periodic reviews that I am able to examine all the issues underlying price limits.

Ian Byatt,
director general,
Office of Water Services,
Centre City Tower,
7 Hill Street,
Birmingham B5 4UA

Lottery must aid smaller arts applicants

From Mr Peter S Gummer.

Sir, Antony Tborncroft's article on the lottery ("The lottery: will it end in tears?", September 26) and the financial help it will provide for tbe arts rightly highlights the need for cautious optimism. However, it fails to make several important points about the management and policy of the Arts Council of England, which is responsible for the distribution of these funds to arts organisations.

First, ACE is determined to provide a significant proportion of its lottery funds for small applications. They must not be disadvantaged. This would be against hoth the spirit and the letter of the lottery legislation. From these applicants we will not be looking for matcbed funding but for real evidence that they have rigorously sought funds from private sources. If they can only raise 10 or 15 per cent of the total required then so be it. Indeed, we would consider revenua funding commitments from local authorities or the private sector, for example, as part of that 10-15 per cent.

Second, so important are the smaller applications that a flexible, lower limit for funds will be set at around £5,000 to encourage a balance between the size of successful applications.

Third, wa sre happy for tbose applying, hut particularly smaller arts organisations, to come to tha lottery first before going outside for funds. We can tell tbem whether they qualify; and, if so, give a conditional grant and thereby a bead start in raising private finance for the balance.

If all the lottery does is fund the large arts organisations, vital and important though they are in the UK, then tbe lottery will not have been a disaster. However, it will have failed to fulfil its real potential in providing money for small arts organisations in villages, towns and cities up and down the country.

Peter Gummer,
chairman,
Nationol Lottery Advisory Board for the Arts ond Film,
61 Grosvenor Street,
London W1X 9DA

Intemperate

From Mr Brian Knox.

Sir, I admire almost all Colin Amery's contributions, even wben he omits cost as tbe prime reason why so few people commission arcbitects to build new houses in England. But his outburst against architectural competitions is intemperate, ill-timed, and wrong ("Tbe tyranny of the few", September 26). It could have been written any time in the last century and a half; wbat clearer target than that arcb-conceptualist, Pugin? At least you gave equal prominence (Arts, September 24) to William Packer's admirahle plea for professional judgment in the award of artists' prizes.

Brian Knox,
23 Merton Lane, London N6

Getting the message – but in English only

From Mr Max Hotopf.

Sir, My publishing business is relocating. As our customers cover the globe, I wanted to leave a message giving our new pbone number in English, Freucb and German. Imagine my utter amazement to discover that BT is incapable of doing this. The message can only be in English. And what is the oost of this recorded message? £50 s quarter!

Right across Europe I listen to recorded messages re-routing me in every language under the sun.

Yes, I could leave an answering machine on the line to give a message in English, Frencb and German. But then, of course, I would have to contiaue to to pay BT for the line.

The alternative is to have calls re-routed through to the new number. For this BT charges £82.60 a quarter plus a £50 charge for connection. The service is only available for a minimum of 12 months – so the re-routing option costs a minimum of £380.40. And you have to pay local call rates on top for every transferred call.

Could all this reflect the fact that BT faces no competition in this area?

Max Hotopf,
choirman, Passant Publishing Corporation,
Polstead Mill, Polstead,
Colchester CO6 5AB

FINANCIAL TIMES
Number One Southwark Bridge, Loodon SE1 9HL
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Tuesday September 27 1994

The state of the presidency

When the outsider Bill Clinton won the 1992 US presidential election, pundits most commonly attributad hia victory to two things. On the one hand, there was a hostility in the country at large to political incumbents in general and to the Washington establishment in particular. On the other, Mr Clinton was seen as promising solutions to America's lengthening list of domestic problems – an agenda almost wilfully neglected by his predecessor George Bush, who made no effort to conceal his much greater interest in foreign affairs.

It thus seems crual that the Clinton presidency should have arrived at its current pass. Nearly two years on, Mr Clinton is suffering from the same, sour, anti-Washington mood that produced Ross Perot and hrought the president his wafer-thin victory, with polls suggesting that the congressional mid-term elections in November will create a Republican majority in one or both houses of Congress. He has failed to deliver on the most important element of his domestic agenda: healthcare reform will certainly not pass this year, and may be doomed next as well.

Worse, the administration is mired in a foreign policy adventure, in Haiti, whose outcome is at best uncertain and at worst disastrous. With such a record, it is tempting to conclude that the presidency is already mortally wounded, and that Mr Clinton himself bears most of the blame.

Tempting, but premature. For Mr Clinton's prohlams, thuugh undouhtedly daunting and certainly exacerbated hy his own indecisiveness and naïveté, reflect more than the failings of one man. They testify to the uncertain state of the nation he governs – anxious about its perceived social and economic ills despite a rohust economic recovery; divided about how to cure those ailments; undecided about its place in the world.

Forgotten successes

The collapse of healthcare reform is not only a failure by Mr – or Mrs – Clinton: it reflects a paralysis of the US's entire body politic, which when asked to tackle the biggest issues seizes up or succumbs to a multitude of high-spending interest groups. Mr Clinton scored some notable and easily forgotten successes in his administration's first year: on the hudget and on north American free trade. But now – on crime, on trade, even on hadly needed reform of America's outmoded telecommunications regime – Congress seems to experience the greatest difficulty in passing coherent or constructive laws.

Likewise in foreign policy. Mr Clinton may be having trouble formulating a clear view of his country's international role, or in consistently applying principles once formulated, or in showing resolve under pressure. But in all this he is not alone. At a time when the US has emerged as the world's only superpower and is being asked hy the rest of the world to take on commensurate responsibilities, Americans are probably more divided about whether, and how, to do so than at any time since world war two.

Simplistic postures

In the face of a public turning increasingly towards isolationism, Mr Clinton has on occasion shown admirahle willingness to plead the causa of international engagement, notahly in persevering with the Uruguay round of multilateral trade negotiations. But his ability to pursue a consistent or coherent foreign policy remains strictly circumscribed: by the simplistic postures often struck in Congress on such issues as Bosnia; by his own need to shore up his position among such domestic constituencies as Irish Americans and Cuban exiles; by his past insistence on giving precedence to domestic over international issues. It is not at all clear that any of Mr Clinton's often vicious assailants would fare better in similar political circumstances.

The truth is that the post-cold-war world presents challenges of a similar order to those that broke Woodrow Wilsoo and underlined Franklin D. Roosevelt's greatness. Mr Clinton is more a Wilson than a Roosevelt, and his couotry's mood more akin to 1919 than 1945. America's allies should resist the temptation to gloat or to wring their hands. Instead, they should coocentrate on damage limitation – seeking to engage America in multilateral forums and actions wherever possible, and dolog nothing that might turn the country further in on itself.

Casting a smaller net

While the authorities continue to ponder a death sentence, the Net Book Agreement is dying of its own accord. Opponents of the 37-year old pact will applaud Hodder Headline's announced withdrawal from the NBA. But defenders should also welcome the news: the more voluntary the agreement appears to be, the weaker the case for abolishing it.

Pricing agreements of some kind or another have been a part of the UK book trade for nearly 100 years. Minimum price-setting by manufacturers was banned in other industries in 1956. But books, it was argued, were "different": and the Net Book Agreement survived.

Abolitionists argue that the only thing which is different about the book industry is that it is better at scaring the competition authorities into inaction. The 1956 decision has withstood repeated re-investigations. Last month, Sir Bryan Carsberg, the director-general of fair trading, ushered in another one, deciding to refer the agreement to the Restrictive Practices Court. The NBA's detractors will be hoping that this time will be *different*. Yet the argument for banning it has never been entirely clear-cut.

First, and most important, it is voluntary: publishers signing it are free to apply minimum ('net') prices to some, any or all of their books, as they see fit. Second, it does not necessarily impede competition: indeed, the object of the exercise is to keep as many book retailers in the market as possible.

Why, after all, would any self-respecting manufacturer want to stop retailers from cutting the price of their product? Once goods have been sold to the retailer, the producer generally has an interest in the volume of sales, not the price the retailer charges. Companies claiming that their industries are different are generally up to no good.

Silent intimidation

But the fact that puhlishers have long freely opted to pursue a policy which would lose them money in most other businesses has always been a good reason to give the "difference" claim a little more weight.

Opponents, however, have always countered that the agreement is not really voluntary, and it is not really in the industry's self-interest. Some publishers are allergic to change, and their silent intimidation of newer members means that the industry is trapped in the past. They would rather hold on to a restrictive practice than be forced to think of other, potentially more lucrative ways of doing husiness.

As long as publishers feared publishing non-net books, the case for abolishiong the NBA as a restrictive practice was a reasonable one. But over the past few years, a growing number of publishers, large and small, has decided to stop netting their books, or to do so only selectively.

Guaranteed margins

Hodder Headline, whicb controls around 10 per cent of the most important, trade-book, market, is one of the biggest players to have disgarded the practice. Smaller companies who may have feared leaving may be encouraged by their decision.

But so ahould the NBA's remaining supporters. As long as the decision to net is solely a husiness judgment by publishers, and not collusive price-rigging exercise, they should be allowed to make decision by themselves. The number of shops is important to the sales of books, as is the standard of service and choice offered in each hookshop. This may have led publishers to protect small retailers in the past by using gauranteed margins: they should be allowed to opt for this in future.

But there may be other ways to protect small bookshops. Hodder Headline claims it has no desire to see small retailers go to the ropes as a result of its decision. It will merely adopt other means of subsidising them, through special discounts instead.

This may prove a more efficient, and more profitable way of recognising that books are different. But small bookshops are facing tough competition from larger outlets, with or without the NBA. The world is changing: possibly, the UK book trade has resisted change too long. Slowly, change is taking place. It would be better for all concerned if, as seems likely, the NBA withered away without being heavy-handedly uprooted by the Restrictive Practices Court.

Russian bear's new clothes

Igor Bunin on a survey which dispels many of the myths about the country's new business class

A new business class is emerging in Russia, rapidly *and from nowhere*. But its unfamiliarity, and a lack of information, have led to a distorted image of the Russian businessman in the public mind.

Since 1992, a group of sociologists at the Centre for Political Technology in Moscow has been studying the backgrounds and attitudes of these Russian entrepreneurs. Their findings, drawn from interviews with the leaders of 60 hig and 50 medium-sized and small husinesses and 10 directors of state enterprises, do mucb to dispel the myths about the new business class.

These husinessmen have come from a variety of backgrounds: some worked in the black economy during the period of "stagnation" (under Leonid Brezhnev); some are from the old *nomenklatura*, those appointed to top jobs in the communist period; some are repainted "red directors", the former factory bosses; and some are "new Russians", entering business for the first time.

The new Russians seem to be the dominant element in this rising class. The overwhelming majority of entrepreneurs are men aged between 30 and 40, witb a reasonable education.

Of those surveyed, more than 80 per cent had completed bigher education. Many are graduates of the most elite institutes in the country, some with two degrees, some having held posts as scbolars. The majority are second-generation intelligentsia (that is, their fathers also had higher education).

The belief that the new business leaders are mainly from national minorities – such as Jaws, Armenians and Georgians – is not borne out by the survey, or any other research. Figures show that 84 per cent of small and medium-sized husiness leaders are ethnic Russians, which is slightly higher than their representation in the population of Russia.

However, in big businesses, only 63 per cent of business leaders are ethnic Russians, with a higher-than-average proportion of Jewish husiness leaders. Before perestroika, business was the only area in which Jews could get ahead.

There was no evidence in the survey that non-Russian entrepreneurs were founding husiness clans composed solely of their ethnic kin – their hiring practices were based on merit.

Findings such as these are at odds with the views about Russia's husiness class which are widely held by the public. But the survey also shows the extent to which successful Russian businessmen owe little to the past.

A few of those surveyed said tbey had taken part in the "shadow" economy – trading in foreign jeans during their student days, for example. But the majority said they had never been part of the hlack economy.

Nor were many of the successful business leaders from tbe former communist *nomenklatura* of state factory hosses, secret police and second-level bureaucrats. Many of these ex-officials moved into business, often privatising state property into their own hands – a practice known as "grabitisation".

However while the practice was widespread, it has not created successful business leaders. The former *nomenklatura* survive only in regional or sectoral pockets of economic activity.

They have not succeeded in becoming a powerful and cohesive economic group, having entered the market independently of one another, often in competing or conflicting activities. The survey found just a couple of clear examples of grabitisation the business leaders surveyed.

The idea that former "red directors" have been the driving force behind the market also appears ill-founded. There are almost no former factory directors among the country's well-known entrepreneurs. Indeed, the snrvey results suggested that experience has made these men too conservative to succeed in business.

Their average age is significantly higher than that of the entrepreneurs; more of them come from workers' families; they have often graduated from technical colleges, while the entrepreneurs have received a higher and more broadly based education.

The professional experience of the former "red directors" is more limited: they have usually worked all of their lives in one plant, rising from the ranks of worker to that of director, or made their careers in branches of the industrial ministries.

These directors now appear disoriented. In the past, they were guided by a patriarchal philosophy, acting as guardians to their workers and as the fathers of their enterprises. The power of a director depended on the number of workers – or "sons" – in his enterprise.

Many of these directors now understand the need to cut the workforce to raise productivity, but in practice they find this hard to do.

Instead, they continue to hope for cheap credits from the state or rack up large mutual debts with other enterprises. These people are unlikely to be creators of financial or industrial empires; they can at best fulfil their traditional role of worker-managers.

In setting up businesses since 1987, the leaders surveyed fell into two types. The first type of eotrepreneur was created to supply the party or state, and was given first call on resources sucb as land and funds. The secood type began with nothing, compensating in large part for his lack of resources with new ideas.

The borders between state-sponsored and independent businesses are fuzzy. A number of the new enterprises, especially tbe medium-sized ones, steer clear of involvement with the state machine. But the development of powerful financial and industrial empires is impossible unless close relationships are formed with the state.

Many of the entrepreneurs surveyed had acquired state assets on the cheap (for instance, by buying shares in former state enterprises *very cheaply from workers*), or even stole them during the haphazard break-up and sale of state property.

Indeed, an entire philosophy seems to have been created to justify this type of activity. Respondents explained to interviewers that they were the only people capable of breathing life into dead state assets.

Businessmen have also managed to invest illegally-acquired capital, often former party funds, in the developing market. However, the centre's research suggests that the role of laundered capital has been greatly overstated.

Bribery is, however, a common practice among the new business class. Some 70 per cent of respondents in the state sector and 76 per cent in the private sector reported that hribery was habitual, in which they were quite ready to take part. Many pointed to the difficulty of running a business on any other basis in a market still dominated by a state with a strong tradition of bureaucratic corruption.

The rules for doing business remain ill-defined. However, entrepreneurs seem to realise that it is impossible to work in a permanent state of disorder and lack of trust. There is a standard of morality springing up between business partners, which, by Russian standards, is high.

Tbe new class is also developing its own value system – abandoning the traditional Soviet notions of state tutelage in favour of the principles of individualism and equality of opportunity. The new entrepreneurs see life as a contest in which the strongest and the worthiest win – tbey wholly reject the idea of social equality, believing instead in the creative qualities of each buman being.

And gradually, society appears to be accepting both the new rich and tbeir values. Between 15 per cent and 20 per cent of the population believe that only entrepreneurs can save Russia, according to polls by the Russian Centre for the Study of Public Opinion.

However, entrepreneurs are still more likely to be viewed favourably by those who have gained most from the new economic conditions. The majority of Russians of a high social status said entrepreneurs were useful to Russia, while those of a low social status believed they were damaging the country.

Overall, there remains some distance to go before the market is widely accepted as the main organising principle of the emerging society.

Igor Bunin is Director of the Centre for Political Technology.

A world of minimal job security

PERSONAL VIEW

Pundits are often asked whether the UK economy really can be recovering since most people still seem so miserahle. Perhaps the explanation is that, despite the excellent performance of the economy as a whole, individuals are quite right to be uneasy. The behaviour of the economy, and especially of the labour market, is changing. No-one can feel altogether secure, even if we do see years and years of steady growth with low inflation, as the prime minister would have us believe.

Competition is botting up, between countries, between companies and also between individuals in the labour market. The process has been a very gradual one, but it has been going in tbe same general direction now for more than a decade.

The experience of the last recession and the present recovery suggests that it is gathering pace. Perhaps we should try to imagine where it might lead, to imagine a world in which job security was reduced to a minimum.

From the employer's point of view there would be ohvious advantages. Companies could expand or contract rapidly, adjusting the size of their labour force more or less continuously. They could change the composition of the labour force as well if they decided to change the mix of products or the techniques of production. Sometimes they might decide to hire the same individuals for several years in succession, because they knew that they had skills for which the firm had a continuing need, but they would be under no obligation to do so. Their situation would, in a word, be "flexible".

From the employee's point of view the situation does not seem so comfortable. It would pay to keep ooe's options open and stay in touch all the time with the axternal labour market. It would pay to accumulate some reserves of savings to see one through the inevitable gaps hetween jobs.

On the other hand those gaps might not be quite so long if companies were actively recruiting in the labour market all the time, aod were prepared to replace their existing workforce if the opportunity arose. It might, indeed, not be so very different from being self-employed, especially for those who decided to spread their risks by taking on several part-time jobs instead of a full-time one.

Things have not gone this far, of course, and perhaps they never will. But tbe direction of movement is clear enough and its implications are profound. Not only economics is involved: for many people the company or organisation they work for is the main focus of their loyalty and aspirations, as well as the centre of their social life.

People seem anxious even as the economy recovers. We are in a transition and no one knows how far it'll go

What will replace that focus for those who change their jobs every year or so? How will this fit in with family life or life in a local community? These, perhaps, are the really big questions, hut there are some quite large economic questions to ask as well.

If the labour market is to work efficiently with frequent job changes then more resources will be needed to secure a good match between supply and demand. There will be a greater need for "market-makers", including independent careers advisers, employment agencies and so on. This is a social cost to set against the efficiency gains which may result from tbe flexibility of employment from which firms will benefit.

Tbe cost of supporting those "between jobs" will fall in large part on the social security system. Most of the unemployment will, hopefully, be short-term, hut there could also be an increase in longer-term unemployment and in the numbers dependent on other forms of benefit, especially as those who lose their jobs are likely to be those with few skills or with skills that are oo longer marketable.

There are, indeed, especially important questions about the training and retraining of the labour force. If employees come and go so readily, companies will have little or no incentive to pay for their training.

Individuals will have to plan and finance their own acquisition of skills with an eye to future jobs a well as their present one. And pay differentials for skills will have to widen sufficiently for that investment to be worthwhile.

It is no wonder, then, that people seem anxious even as the economy recovers. We are in a state of transition, and no one knows how far it will go. It is a direction of change which the government has encouraged and applauded, but it is not under its control.

Those who lose in the process will tend to blame the government, while those wbo benefit will take the credit for themselves.

Andrew Britton

The author is director of the National Institute of Economic and Social Research

OBSERVER

A bronze for Nipper?

■ So what do Thorn EMI chairman Sir Colin Southgate, Richard Budge, boss of RJB Mining, United Arab Emirates ambassador Easa Saleh Al Gurg and Morgan Stanley's Steven Ward have in common?

Nothing much that they knew of until they arrived at Le Manoir Aux Quat' Saisons outside Oxford last Saturday as guests of its chef and proprietor Raymond Blanc. The occasion was a celebration of the work of a husband and wife team of sculptors, Lloyd Le Blanc and Judith Holmes Drewry. Most of the 90-odd worthies who turned up seemed unaware that their "discovery" was so widely shared.

The two – she does figures and he does wildlife – dispense with a London gallery, instead wooing prospective clients to their Leicestershire studios.

Several guests had bronzes of their family in the garden, while others prefered animals such as yearling calves. Indeed, with HMV celebrating its 75th anniversary in 1996, a bronze Nipper may soon be listening intently to His Master's Voice in Southgate's office.

Token tip

■ How nice of Hodder Headline to cut the price of ita hardbacks hy pulling out of the net book agreement. What a pity the price-slashing will happen *from* Boxing Day – ie, well after the biggest annual spend on books. Observer's tip: give everyone book tokens this Christmas.

And what was the book Tim Hely Hutchison, Hodder Headline's chief executive, chose to help publicise his decision to withdraw from the price-rigging? *Lilley & Chase*, a novel set against the background of publishing, by Tim Waterstone, founder of the Waterstone bookshop chain – and a noted supporter of the net book agreement. And who illustrated the jacket cover? T'other Tim's brother – Nicholas Hely Hutchinson. Incestuous business, the book trade.

Blear cellar

■ So mucb for the idea thet Munich is one of Germany's most technologically-minded cities. Just two small rooms were set aside at the state parliament for foreign journalists to report the Sunday night trouncing of the opposition by the ruling Christian Social Union, Chancellor Kohl's closest partner in Bonn ... and there were no international telephones.

Classical spine

■ And as young, marketing-minded Hely Hutchinson was stirring up the book trade, the industry lost one of the last remaining old guard, Colin Haycraft, who died at the weekend at the age of 65.

'I'm popping ont for a paper to see if Michael Howard's resigned'

He was chairman and managing director of Duckworths, one of the last independent publishers. In 1992 he faced an attempt to oust him. Haycraft – who paid himself £25,000 a year – simply remortgaged his house, bought shares to regain control and kicked out those wbo had tried to do the same to him.

A classical scholar, one of Haycraft's obsessions was to see the publication of a full edition of Edward Gihbon's *The Decline and Fall of The Roman Empire*; characteristically, he denounced anothar publishar, Everyman, for producing a three-volume version with 11 chapters omitted.

"The blurb on the (Everyman) slipcase gives no hint that the edition is not complete, and as the three volumes inside are shrink-wrapped, in their special condoms, we don't realise until we get bome," was tbe view of one of the last gentleman publishers.

Frying tonight

■ Calling all under-employed Eurocrats – if tbat isn't something of a tautology. Get to work on rescuing Belgium's national snack, chips doused in mayonnaise. A potato shortage, caused partly by the hot summer, partly hy farmers planting fewer spuds last season as a result of low prices, is threatening to extinguish the Belgian chips'n mayonnaise snack, or at least convert it into something of a luxury.

An opportunity here for Britain's Potato Marketing Board to justify its temporary reprieve and lend its support to the vanishing Belgian *pomme frite*?

Free press

■ *Libération*, the fashionable French daily, is finding it hard to free itself from the perils of technology. While the newspaper's staff celehrated until the early hours of the morning in front of an Eiffel Tower draped with a giant copy of the front page of the re-designed paper, the company's Paris printing presses broke down for the second time in 21 years.

The result was that the new-look paper did not hit the streets until yesterday afternoon. The finger was pointed at a glitch in the computer link from the editorial centre ratbcr than a bolshy printer who had not been invited to the Eiffel Tower party.

Pond life

■ Not so much life imitating art, more a case of life mocking artefacts. Michael Jack will be the first British government minister to use the Channel tunnel for business purposes when he travels to Brussels today for a European council meeting. The Chunnel is now leaking, thanks to drainage problems. Jack, of course, is minister for fisheries.

A rash move?

■ So Philip Jarrold, 44, managing director of Peaudouce, the nappy manufacturer, is moving to head Ladbroke's Vernons pools division. This should give hacks in the trade press a chance to test their headline writing skills. How about "Forty-four and finally out of nappies", or "Jarrold arrives at Vernons with reputation unsoiled". Observer's suggestion is "From the bottom to the top" but a real pro could do much better.

FINANCIAL TIMES
Tuesday September 27 1994

America learns to cope without daily dose of OJ

Drama switches off until jurors chosen, reports **Jurek Martin**

There were no live television pictures from a Los Angeles courtroom yesterday as America's murder trial of the year got under way.

How the country will survive without its daily televised fix of the trial of O.J. Simpson, the retired gridiron football star accused of tha murder of his former wife, Nicole Brown Simpson, and her friend, Ronald Goldman, is doubtful. The cameras did not roll yesterday because Judge Lance Ito of the Superior Court of California began questioning as many as 1,000 prospective jurors, from whom a panel of 12, with eight alternates, must be chosen. This process is held in camera, as it were.

Judge Ito must first ascertain which jurors cannot, for business or personal reasons, take three months off, especially if the jury is sequestered.

This could reduce the 1,000-name list by three-quarters and it is over these that the lawyers will do serious battle.

Defence and prosecution lawyers have submitted briefs to Judge Ito running to countless pages, outlining the questions they would like to see satisfactorily answered. Since no prospective juror living in this country can claim ignorance of the case, selection criteria include sex, race, age, known attitudes and personal history.

For 3½ months, each preliminary and pre-trial session has been televised live. Lawyers, psychologists, DNA scientists and experts in race relations (Mr Simpson is black, his wife and Mr Goldman were white) have all had their disparate views given full airing. A Los Angeles Times poll yesterday of residents of Los Angeles County, from which the jury pool is formed, found 34 per cent believing him guilty and 16 per cent innocent, with the balance undecided. As with other surveys, far more blacks than whites thought him not guilty and a victim of racial prejudice. Women were also conspicuously more sympathetic to Mr Simpson than men.

It may take up to a month for a jury to be empanelled. Even then, there is no guarantee that the trial itself may be covered live. Last week, Judge Ito, enraged about press leaks and stories of little apparent substance, said he would consider banning some or all media coverage.

Although this is within his power, he is unlikely to take the extreme sanction. If he did, the media would doubtless go to court to demand that he be overruled. Last week a committee of judges recommended that the experiment of televising federal trials be discontinued – but this is a state case and California is the home of television.

Beyond its celebrity element - Mr Simpson, after a glittering career on the field, became one of the most visible TV pitchmen for assorted commercial products - the trial itself may prove of legal importance as a test of the usefulness and admissibility of DNA analysis.

The trial could last until Christmas and beyond. Despite mid-term alections, Haiti and Bosnia, the face of O.J. Simpson, who is pleading not guilty, will go on staring out at the nation from the small screen. Not since one Friday night in June, when national TV caught him and a friend driving his white jeep along the freeways of Los Angeles, pursued in semi-slow motion by a phalanx of police cars, has he been absent from it.

India fights to control spread of plague

By Stefan Wagstyl in New Delhi

Indian health authorities were yesterday struggling to control the spread of pneumonic plague amid signs of further outbreaks following the flight of some 300,000-500,000 people from the western city of Surat.

The number of new patients admitted to hospital in Surat fell yesterday to about 40, the lowest daily figure since the outbreak started, but the disease was blamed for two deaths in villages about 40km away. There were also reports of people with plague-like symptoms in hospital in other parts of northern and western India – including Ahmedabad, Bombay and in New Delhi, 1,200km from Surat.

The outbreak has left at least 43 people dead and about 400 others desperately ill. Other countries are also monitoring the plague, including Arab states, which were yesterday holding a meeting of health officials of members of the Gulf Cooperation Council to co-ordinate a response.

The meeting followed a decision by the United Arab Emirates to carry out medical checks on all travellers arriving from India.

Meanwhile, India has received offers of medicine from the World Health Organisation, Unicef, the US, Russia and elsewhere. Pneumonic plague, a variant of bubonic plague which decimated Europe in the 14th century, is spread easily by airborne infection but can be effectively treated as long as the remedy – the antibiotic tetracycline – is given early enough.

In Surat, 800 paramilitary personnel were yesterday searching the city for plague victims. They also stood guard at the main hospital to prevent patients from fleeing, following the escape at the weekend of about 100 victims, who ran away in the belief they would receive better care at home.

There is confusion about the precise number of victims because some who died early in the outbreak with plague-like symptoms have since been found to have died of other causes. Also, an unknown number of people died outside hospital and have been cremated or buried by their families.

Health officials say the origins of the outbreaks, the first in 30 years, are not clear.

THE LEX COLUMN

Reckitt freshens its act

Strategically, Reckitt & Colman's $1.55bn acquisition of Kodak's L&F household and personal care products business cannot be faulted. The group neatly side-stepped the trap of buying the subsidiary bundled with the do-it-yourself operations, as Kodak originally wanted. The deal provides the group with one of the last decent-sized US household products businesses – and one of sufficient scale to allow Reckitt to compete with the big boys in the North American market. Abandoning the emotionally-charged food business also looks wise. Although Reckitt's business commanded some useful niches, it was weak internationally and even in the UK remained too small.

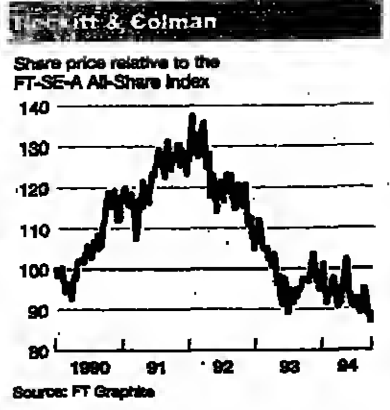
Nor can the company be criticised for over-paying. A price of twice sales and 13 times earnings is in line with similar deals. Whether L&F proves good value is another question altogether. Much depends on Reckitt's ability to achieve synergies. Its management has promised savings of £40m during the next three years. However, the group's track record is not auspicious. The £713m acquisition of Boyle-Midway in 1990 was not a conspicuous success. In spite of three and a half years of economic growth, US sales have proved mostly pedestrian, and occasionally immobile. Reckitt's North American team may acknowledge its past mistakes, but that is no guarantee it will not repeat them.

The debt issue is less troublesome. Reckitt's cash-flow is strong, generating more than £100m a year. Even without the £400m disposal programme, the company can reduce debt to present levels within five years. Reckitt will not be a distressed seller, but that is just as well. Large chunks of the UK food industry are on the block, but there has not been a noticeable rush of buyers. The predicted exit multiple of one times sales may eventually look justifiably conservative. Given the shares' underperformance over the past three years, though, the rights issue is thankfully small.

FT-SE Index: 2999.8 (-28.4)

Reckitt & Colman

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Bass

No one expected Bass to report much of an increase in its beer margins in yesterday's trading statement. But the 3 per cent fall in its shares, even in a weak market, suggests limited faith in the strategy now emerging to secure future earnings growth. Having effectively abandoned its dash for volume growth in beer, Bass is turning to brand management and product mix as a way of increasing its revenues. In beer this involved driving specific brands such as Carlsberg and Grolsch, but the pub estate is also being expanded and upgraded with more emphasis on food. The rebranding of Holiday Inns will put pressure on franchisees to invest in moving at least some way upmarket.

It is hard to quibble with this approach given the market conditions Bass faces, but Bass is coming late into food retailing in so-called "destination" pubs where Whitbread already has an edge. Its strategy has been less consistent than that of Scottish & Newcastle, which has secured growth first through its Center Parcs and then its purchase of Chef & Brewer.

Nor is the external environment that favourable, even though price pressures have abated. Courage has yet to reveal its strategy for coping with the looming end of its Inntrepreneur supply contracts, while the Carlsberg-Tetley joint venture must still aim to recoup its weak start last year. One must hope that Mr Ian Prosser's new approach is robust enough to withstand external pressures. Otherwise shareholders could come to regret their willingness to tolerate his combination of the roles of chairman and chief executive.

Inchcape

Yesterday's interim results from Inchcape were on the face of it encouraging. The impact of the strong yen on its European motor distribution business was bad – operating profits dropped £20m as a result – but not as bad as analysts had predicted. Moreover, strong results from other divisions helped make up the slack, demonstrating the resilience inherent in the group's spread of activities.

Yet some of the shine was taken off the figures because of management caution about the outlook for the full year. Stocks, particularly of cars, are also up sharply, highlighting an underlying weakness in Inchcape's bargaining position with the manufacturers which supply it. Though the fall in motor trade margins from 3.9 to 2.9 per cent largely reflects currency movements, Inchcape is unlikely to recoup the slippage easily even when currency pressures subside. The priority of its suppliers will be to improve their own margins as soon as market conditions permit. Inchcape's position as a distributor thus leaves it vulnerable to a squeeze which will limit the cyclical upturn in its profits.

Gold

Judging by gold's unruffled reaction to Mr Kenneth Clarke's IMF sales proposal, the market does not yet believe it will happen. The UK chancellor will clearly have his work cut out persuading Mr Michel Camdessus, the IMF's managing director, to part with gold holdings in order to assist heavily indebted poor countries. Even if he succeeds, it will be a year or more before any sales actually occur. The phased sales programme which might then be introduced would probably be smaller than the large disposals undertaken by the IMF in the 1970s. With luck, IMF sales might coincide with an end to Canada's official sales programme, so the market might scarcely notice the increased supply.

Even so, the fact that IMF gold sales are on the discussion agenda must damp enthusiasm. Buoyed by indications of rising inflation in the US, gold had been pushing towards the $400 level. Underlying demand in China and India has recovered after a lull and the incipient economic recovery in Europe seems likely to push up jewellery fabrication demand in Italy.

Before Mr Clarke's announcement, the danger was that the market might run up on speculative buying, only to succumb to profit-taking as call options were cashed in at prices about $420. If the rise now becomes more gradual, higher prices will be more sustainable. That would please longer term holders. It would also help calm bond market concern about the inflationary implications of a sudden spike in the gold price, and surely please leading central banks as well.

Japan makes final attempt to avoid US trade sanctions

By William Dawkins in Tokyo

Japan will make a last-ditch attempt to resolve the deadlock in trade negotiations with the US today when Mr Ryutaro Hashimoto, international trade and industry minister, flies to Washington for talks aimed at avoiding sanctions.

The move coincides with a warning from Mr Walter Mondale, US ambassador to Japan, thet US law obliges it to impose economic sanctions if there is no accord by the Friday deadline.

"It's not something we'd want to do, hut it would be something we would be compelled to do under the law," Mr Mondale said.

Mr Hashimoto will meet Mr Mickey Kantor, US trade representative, and plans to return in time for the opening of the next parliamentary session on Friday.

He takes the baton from Mr Yohei Kono, the foreign minister, who had to break off talks with US officials to prepare for a United Nations speech today.

There were signs of progress in talks on foreign access to Japan's public procurement of telecommunications and medical equipment, and on the insurance market, Mr Mondale said. Agreement on these would be "the key to a more positive tone in the whole trade matter", be said.

Access to Japan's car and car parts market, representing nearly 60 per cent of its trade surplus with the US, and access to the market for flat glass, where the economic stakes are small hut symbolic, are the other outstanding matters.

Cars – the main subject of Mr Hashimoto's mission – were "not quite ripe" for an accord and the outlook for a deal on glass was unclear, Mr Mondale said.

The US ambassador could give no indication whether Washington might postpone the sanctions deadline – as it did in a row over the Japanese construction market last year – if there was an accord on public procurement or insurance.

"I don't know if we will accept a partial package... hut if we can't, the provisions of our law will take place," he said in reference to the US Trade Act. Under this, sanctions would be announced in the event of failure to agree on public procurement on Friday, to apply after a 30-day comment period, on October 30.

Mr Mondale said the latest negotiations were more productive than in February, when the US and Japan broke off trade talks after a summit between USpresident Bill Clinton and former prime minister Morihiro Hosokawa ended in impasse.

US lifts Haiti sanctions

Continued from Page 1

strangulation" by Bosnian Serbs and that the UN would have to show a "new resolve" to enforce resolutions to protect the city.

"UN actions in Bosnia, as those in Haiti, demonstrate that progress can be made when a coalition backs up diplomacy with military power."

He also announced US support for a new multilateral agreement to control the sale and use of anti-personnel landmines, and called for the eventual elimination of the 85m such weapons which are now believed to be scattered in 62 countries.

The US will propose thet countries reduce the proportion of landmines in their stockpiles that do not self-destruct or deactivate themselves, and ban exports of mines to countries which have not signed the convention on conventional weapons.

Reckitt buys L&F Household

Continued from Page 1

businesses and £400m of cashflow.

"The rapid pay-down of debt will allow us to continua to support rapid development of our businesses," Mr Sankey said.

Sir Michael said likely buyers for Colman's and the other UK activities were companies with a strong European food business but keen to increase their UK presence. Although the group would sell the Colman's mustard trade name, it would probably retain the name in the group's title.

The price for L&F, at about twice its sales and 20 times pre-tax profits, broadly matched expectations. But until Reckitt has shown it can exploit the purchase, it is unlikely to change City perceptions that – in the words of one analyst – it is a "slightly stodgy, conservstive company in boring products".

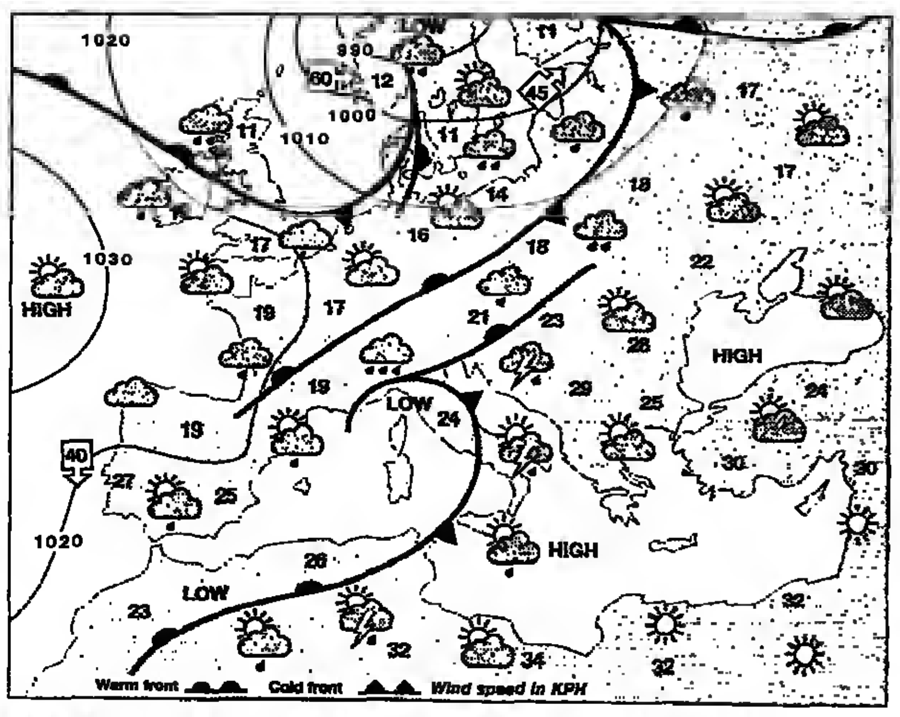
FT WEATHER GUIDE

Europe today

Low pressure west of Norway will make Scandinavia unsettled. Heavy rain will affect central and northern areas and the west coast, which will also experience stormy westerly winds. A secondary low will cause rain over Scolland which will spread south to the Midlands and the Benelux during the afternoon. Cool north-westerlies will affect most of western Europe. France will be mainly dry with areas of persistenl fog. Extensive rain in south-east France will move towards northern Italy during the day. North-east Europe will continue changeable and rather cool but the eastern Mediterranean will stay hot, sunny and dry.

Five-day forecast

Western Europe will become cooler. Most areas will be mainly dry and settled with soma persistent fog. Heavy rain will cross the British Isles on Wednesday, reaching the Benelux on Thursday. Scandinavia will continue unsettled, although southern areas will have sunny periods by the end of the week. Spain and the western Mediterranean will have seasonable temperatures and showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	37
Accra	fair	30
Algiers	fair	26
Amsterdam	cloudy	15
Athens	sun	29
Atlanta	sun	25
B. Aires	sun	21
B.ham	cloudy	16
Bangkok	shower	31
Barcelona	sun	23
Beijing	fair	24
Belfast	shower	15
Belgrade	fair	30
Berlin	cloudy	17
Bermuda	cloudy	30
Bogota	drzzl	22
Bombay	sun	32
Brussels	fog	18
Budapest	thund	24
C.hagen	rain	13
Cairo	sun	32
Cape Town	shower	18
Caracas	shower	31
Cardiff	cloudy	15
Casablanca	fair	22
Chicago	cloudy	16
Cologne	cloudy	18
Dakar	fair	26
Dallas	sun	33
Delhi	sun	33
Dubai	sun	37
Dublin	shower	17
Dubrovnik	fair	28
Edinburgh	shower	15
Faro	fair	24
Frankfurt	cloudy	19
Geneva	cloudy	20
Gibraltar	fair	22
Glasgow	rain	14
Hamburg	cloudy	14
Helsinki	rain	12
Hong Kong	shower	30
Honolulu	fair	31
Istanbul	fair	27
Jakarta	thund	32
Jersey	fair	14
Karachi	sun	33
Kuwait	fair	38
L. Angeles	sun	27
Las Palmas	fair	29
Lima	fair	20
Lisbon	sun	25
London	cloudy	17
Lux.bourg	cloudy	17
Lyon	cloudy	21
Madeira	fair	23
Madrid	fair	23
Majorca	fair	25
Malta	sun	29
Manchester	shower	18
Manila	rain	31
Melbourne	fair	13
Mexico City	fair	21
Miami	thund	32
Milan	rain	23
Montreal	rain	17
Moscow	shower	17
Munich	shower	17
Nairobi	sun	27
Naples	fair	28
Nassau	fair	32
New York	shower	21
Nice	rain	23
Nicosia	fair	31
Oslo	cloudy	13
Paris	cloudy	20
Perth	fair	18
Prague	cloudy	18
Rangoon	fair	30
Reykjavik	cloudy	5
Rio	shower	23
Rome	cloudy	27
S. Frsco	fair	24
Seoul	fair	23
Singapore	shower	28
Stockholm	shower	12
Strasbourg	cloudy	20
Sydney	sun	18
Tangier	fair	23
Tel Aviv	fair	30
Tokyo	cloudy	27
Toronto	shower	17
Vancouver	fair	20
Venice	thund	23
Vienna	cloudy	18
Warsaw	cloudy	18
Washington	fair	22
Wellington	shower	11
Winnipeg	fair	14
Zurich	thund	18

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 27 1994

IN BRIEF

La Générale improves 53%

Société Générale de Belgique, the diversified Belgian holding company, increased its net earnings by 53 per cent in the first half of the year to BFr6.7bn ($210m) compared with BFr4.4bn in the previous corresponding period. Page 18

IMF wants tougher hedge fund rules
Stronger requirements for hedge funds and other investors to disclose large trades in government bonds could help prevent manipulation of smaller markets, according to a study by the International Monetary Fund. Page 18

Air France asked to sell Sabena stake
Sabena is seeking to pressure Air France into reducing or selling its minority stake in the Belgian state-owned carrier to enable the formation of partnerships with other interested airlines. Air France said, however, that it did not intend to sell. Page 20

Chevron upbeat on Tengiz project
Chevron, the US oil company, says it had no plans to pull out of its $20bn Tengiz oil project in Kazakhstan. Page 20

Tokyo to allow derivatives trade
Japan yesterday took a small step on its long road to financial deregulation by permitting banks to trade in two forms of financial derivatives – forward rate agreements and forward exchange agreements. Page 21

Mining groups strike venture deal
Normandy Poseidon, the Australian gold producer, and Bureau de Recherches Géologiques et Minières, the French government-controlled mining group, are to form one of the world's most diverse resource ventures through transactions involving almost A$740m (US$544m). Page 21

Inchcape warns on Japanese car sales
Inchcape, the international motors, marketing and services group, yesterday confirmed that the strength of the yen had hit sales of Japanese cars in Europe, but said all the rest of its operations were performing well. Page 23

Bass shares slip after statement
Shares in Bass slipped 17p to 523p yesterday after it delivered a cautious trading statement which indicated its breweries and pubs remained under intense competitive pressure. Page 23

£100m interest gloom for Brent Walker
Interest payments of more than £100m ($158m) overshadowed an improvement in interim operating profits at Brent Walker, the bookmaking and public house group laden with £1.4bn of bank debt. Page 24

Hammerson rises to £24.5m
Hammerson, the property company which came under new management last year, yesterday reported interim pre-tax profits of £24.5m ($38.7), against £15.2m, and signalled its intention to expand in continental Europe. Page 25

Stora to raise newsprint prices 20%
Stora, Europe's biggest pulp and paper group, will raise prices of newsprint by 20 per cent next year following increases in pulp prices and a recovery in European paper demand. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Wella	1030	+	10
Falls			
Altana	625	–	12
DLW	416	–	19
Daimler-Benz	772	–	13.5
Deutsche Bank	692.5	–	14
Metallgesells't	133.2	–	15.8

NEW YORK ($)

Rises			
Allied Signal	34¾	+	1
EquiCredit	29¼	+	4⅞
Philip Morris	59¾	+	1
Falls			
Micron Tech	36	–	1⅞
Texas Insts	67¾	–	4¼
Utd Tech	61¼	–	1¼

New York prices at 12.30.

PARIS (FFr)

Rises			
Imm France	468	+	17
Immobanque	745	+	22
Falls			
Accor	602	–	16
Canal Plus	827	–	23
Ecco	871	–	13
Saint Gobain	644	–	16

TOKYO (Yen)

Rises			
Ajinomoto	1350	+	20
Sanwa Bank	1980	+	40
Falls			
Kajima	990	–	20
Minolta	453	–	12
Oki Elec	760	–	20
Seven-Eleven	7730	–	110

LONDON (Pence)

Rises				Daejan Hldgs	1400	–	60
First Choice	128	+	7	Division Grp	122	–	10
Fyffes	108	+	6	Eidos	335	–	35
Gibbs Mew	439	+	15	Eurotunnel Uts	250	–	19
Jacobs (JI)	53	+	7	Fairline Boats	425	–	20
Kleeneze	173	+	6	Hawtal Whiting	230	–	20
Nthn Leisure	59	+	3	JBA Hldgs	138	–	7
Ramco Energy	237	+	20	Kleinfold	134	–	16
Falls				Midlands Elect	755	–	35
Allied Lon Prop	100	–	8	Photo-Me Intl	216	–	9
Alvis	38	–	19	Reckitt Colman	555	–	43
Asprey	173	–	9	Unigate	341	–	12
Billam (J)	134	–	10				
Booker	406	–	17				

Peugeot Citroën gains with bigger range

By John Ridding in Paris

Peugeot Citroën yesterday provided evidence of the French car industry recovery while announcing the strengthening of its product range and net profits of FFr688m ($131m) for the first half of the year, compared with a loss of FFr1.12bn in the same period in 1993.

The results were at the lower end of analysts' forecasts, but Peugeot Citroën predicted further improvement and a "clear positive result" for the full year. It said the improvement would be partly based on the impact of its revamped model range which would offset a slowdown in growth in the automobile market in the second half of the year.

According to Peugeot Citroën, the slowdown partly reflects the weakening of stimulatory measures introduced by the French government. The measures, which were introduced in February and included a payment of FFr5,000 to car owners who traded in vehicles more than 10 years old to buy a new one, helped lift sales in the first half. Combined with an end to recession in France and other European markets, the measures had prompted a 14.8 per cent increase in sales to FFr83.8bn.

Peugeot Citroën, said its improvement reflected the impact of new models, from utility vehicles to the estate version of the Citroën ZX and the Peugeot 306 convertible. In addition, the first half of the year saw the launch of the group's multi-purpose vehicles, the Peugeot 806 and Citroën Evasion.

The progress in the first half enabled the automobile group to raise its share of the western European market from about 11.9 per cent to 12.5 per cent. In France, market share increased from an average of 30.3 per cent in the first half of 1993 to about 32.8 per cent.

Improved cash flow and a tighter control on investments allowed the company to reduce debts. At the end of June, group debts stood at FFr9.34bn, compared with FFr16.67bn at the beginning of the year. At the operating level, Peugeot Citroën reported a profit of FFr2.45bn, compared with a loss of FFr1.25bn last time.

Despite an upbeat assessment of the company's performance, Peugeot Citroën expressed caution about the prospects for the European market. It pointed out that although the 6.48m new registrations in the first half represented a growth rate of 6.7 per cent over the first half of 1993, the total volume still represented a fall of almost 12 per cent compared with the first half of 1992.

The outlook for the current period was also cautious, saying "growth in western European automobile demand should be much slower in the second half". As a result, it said, growth in passenger car registrations for the full year is likely to cool to around 4 per cent in western Europe and 12 per cent in France.

Roderick Oram explains why Reckitt & Colman is spending $1.5bn to build its US household products portfolio

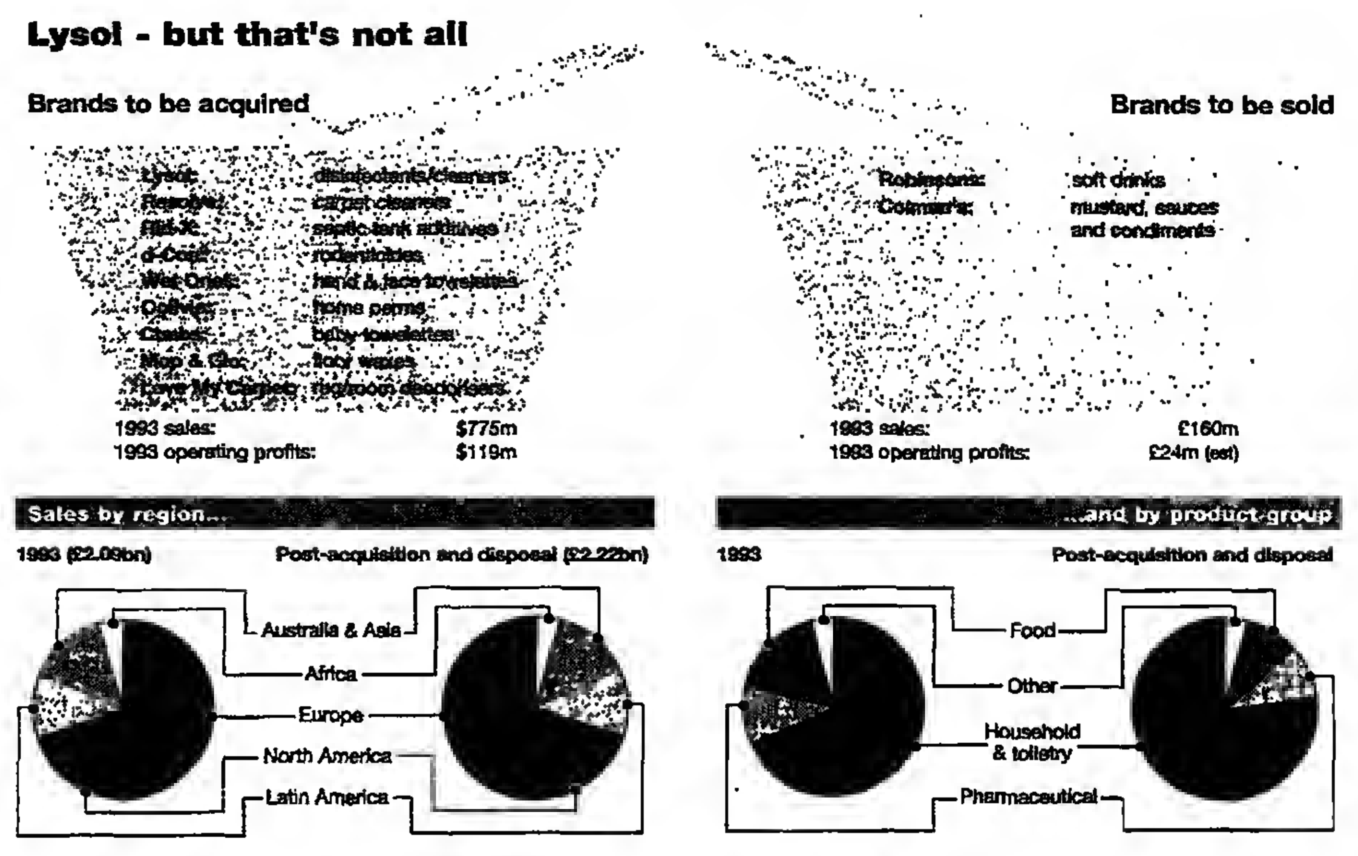
Cleaning up its act to fight the giants

Mustard, barbecue sauce and potatoes were all Reckitt & Colman was selling in the US 10 years ago. Two acquisitions turned it into a provider of cleaners and other household products, making the US the British group's largest single market. But it remained a second-tier company lacking some key products in a field dominated by leading brands.

Reckitt's ambition, though, is to compete with the likes of Colgate-Palmolive and Procter & Gamble on their US home ground, by far the largest market in the world, and abroad. Yesterday's $1.55bn purchase of L&F Household from Eastman Kodak gives it the weapons to take them on. It may also hasten the day when Reckitt concentrates entirely on household products by selling its over-the-counter drugs including such famous brands as Disprin, an aspirin-based painkiller.

L&F "fits our strategy perfectly," said Mr Vernon Sankey, chief executive. "It transforms the position and profitability of our US business." According to Mr Paul Woodhouse, a Smith New Court analyst: "Reckitt was in need of something to get it moving. It was in the second division with few products mass marketers needed."

But L&F also presents Reckitt with some stiff challenges. The biggest is to assimilate L&F and use its brands and technology to good effect abroad. Reckitt has a rather patchy record on these management techniques. It has yet to maximise the potential, for example, of its $1.25bn purchase in 1990 of Boyle Midway, another US household products group.



The group has found it hard to increase US sales and profits in recent years.

Founded in 1874 by Mr Lane and Mr Fink as an importer of raw materials for New York City pharmacists, L&F became one of the first suppliers of antiseptics. From that technology grew a range of disinfectants and other household products. It was taken over by Sterling Drug in 1966 which in turn was bought by Kodak in 1988.

Its products are tightly focused on some six brands such as Lysol which are first or second in their markets. It has products such as lavatory cleaners which Reckitt lacks in the US. It has disinfectant technology that Reckitt hopes to use elsewhere in the world. It is much more more experienced in the US than its new owner at "controlling shelf space", the art of dealing with retailers. Strength in brands and distribution helped it to achieve a profit margin last year about 2 percentage points better than Reckitt's world wide average of 15 per cent.

Lysol is a leading brand with its products used in two out of three US homes. Sales of Lysol products totalled $360m last year, about half L&F's sales, but only $30m came from outside the US. Moreover, Lysol's annual sales growth of about 2.5 per cent in recent years has been moderate and some US analysts see it as a "tired brand". Reckitt could play to both the strengths and weaknesses of Lysol. It intends to rebuild its US business around Lysol and L&F's other main brands by selling off lesser products from the two companies. L&F's products generating less than 25 per cent of sales could be sold, Mr Sankey said.

The new US line-up, including successful existing products such as Woolite fabric washes and Easy-Off oven cleaners, will broaden the range of products Reckitt offers retailers and allow it to make better use of its marketing expenditure. Reckitt could also apply to Lysol its skill at extending the range of brands and take it into new markets.

North American sales by Reckitt after the acquisition and related disposals will be about £775m, about 35 per cent of the group total, compared with £553m and 26 per cent now. Once integration is complete in 1997, the synergies will be worth some £40m a year in operating profits in addition to the money Reckitt and L&F are currently making, Mr Sankey said.

In a world increasingly dominated by large over-the-counter drugs companies, Reckitt will be a small player. Mr Sankey said yesterday its drugs "were a very fine piece of business" both for its brands and growing penetration in south-east Asia which it intended to exploit.

But the division could be worth some £500m to a big player, analysts suggest. A sale would give Reckitt the resources to make further acquisitions to build itself into a worldwide household products company.

Lex, Page 17

Disposals at Kodak near end

By Tony Jackson in New York

The sale of L&F Household to Reckitt & Colman brings Eastman Kodak almost to the end of the ambitious disposal programme announced in May by Mr George Fisher, its new chairman. The deal also brings total cash raised by the programme to $7.2bn, leaving Kodak apparently debt-free.

More important in strategic terms, it virtually completes Kodak's strategy of returning to its basic business. This the company defines as "imaging" - not only traditional photographic activities but the high-tech world of multi-media, with which Mr Fisher is familiar from his previous job as boss of the electronics firm Motorola.

The one substantial disposal remaining is the rest of L&F, consisting of DIY products such as wood finishers. Kodak is coy about the size of this business or how much it might fetch. However, a clue can be derived from the fact that when it decided to sell L&F in two parts - on the grounds that it could not reach its target price for the business as a whole - that price was rumoured to be about $2bn.

Also to be sold are a small technology subsidiary, NanoSystems, and the research and development headquarters of Sterling, the drug company which Kodak sold to Sanofi of France earlier this year. Sanofi has agreed to lease the building from Kodak for a year.

When Mr Fisher arrived at Kodak last December, some observers were sceptical about his ability to turn around a company which seemed to have lost its way. However, the speed at which he has moved has won Wall Street's admiration.

BT agrees partnership deal with three Nordic operators

By Andrew Adonis in London

British Telecommunications yesterday boosted its international ambitions on the announcement of a partnership agreement with three of Scandinavia's four national telecommunications operators.

Norwegian Telecom, Telecom Finland and Tele Danmark, the Danish national operator, will work with BT to market one-stop international telecoms services across Scandinavia.

The move marks a further stage in the division of the world's leading telecoms operators between three rival alliances, each bidding to become the leading supplier of international telecoms services to multinational companies.

The deal pitches BT into fierce competition with Unisource, a grouping of European telecoms operators which recently forged an alliance with AT&T, the largest US operator.

AT&T is BT's main challenger in the international arena.

Telia, the Swedish state operator, is one of Unisource's four European members. BT and its Nordic partners yesterday highlighted Sweden's business market as their principal target. They aim to exploit Sweden's open telecoms regime to offer a pan-Nordic telecoms service to multinationals in the region.

Telia already faces intense competition in its home business market. A senior executive said that France Telecom has been offering Swedish multinationals discounts of up to 30 per cent on international traffic. France Telecom belongs to a third alliance, which includes Deutsche Telekom, the German state operator.

However, Telia said that BT's Nordic alliance was "not unexpected" given a previous tie-up between BT and Norwegian Telecom. It called on Denmark and Norway to end restrictions on competition in their home telecoms markets.

The backbone of BT's international strategy is its $5.3bn alliance with MCI, the second-largest US long-distance operator. The two companies have established a joint venture, "Concert", to service multinationals.

BT's Scandinavian deal is far more limited and none of the three Nordic partners will take an equity stake in Concert.

Mr Hans Wurtzen, Tele Danmarks' chief executive, said: "The agreement marks a new era for Nordic telecommunications, addressing customer needs on a regional and global basis."

Analysts are divided on the scope for the new alliances to develop significant revenues, given the limited number of multinationals and the savings they will demand from one-stop suppliers.

However, the alliances are set to exert downward pressure on Europe's high international phone prices.

French bank to disclose losses

By Andrew Jack in Paris

Crédit Lyonnais, the French banking group, is expected today to unveil losses of FFr4bn-5bn ($750m-$950m) in delayed results for the first half of 1994.

The losses are expected to be accompanied by substantial additional balance sheet provisions against worsening bad loans on activities outside its traditional lending base. The bank confirmed its board was due to meet today after which the results are scheduled to be published.

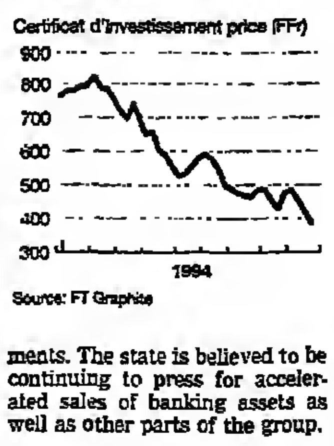
The results were due for release last Thursday, but were delayed by an apparent collapse in discussions between Crédit Lyonnais and the government.

Mr Edmond Alphandéry, economy minister, issued a statement suggesting he had only been informed last Monday of the size of the bank's bad debts, which could require additional provisions of up to FFr25bn.

Mr Alphandéry stressed that the government would provide support to the bank, although the Ministry of Finance and Economy publicly rejected some speculative reports yesterday that there would be any immediate state aid of FFr3bn-4bn required.

Crédit Lyonnais sources suggested that the group had sufficient capital to exceed European minimum solvency requirements. The state is believed to be continuing to press for accelerated sales of banking assets as well as other parts of the group.

Credit Lyonnais



Source: FT Graphite

CarnaudMetalbox scraps plans for Wheaton deal

By John Ridding in Paris

CarnaudMetalbox, the Franco-British packaging group, yesterday announced the collapse of plans to merge its bealth and beauty businesses with Wheaton, the privately-owned US packaging group.

The planned merger, announced in June, would have created the world's largest beauty and bealthcare packaging concern with annual sales of FFr5bn ($940m). It failed because of difficulties whicb arose in the past few weeks, said CarnaudMetalbox.

"After extensive discussions we bave been unable to resolve some differences," said Mr Jürgen Hintz, chairman of the Franco-British group. He said the decision not to pursue the merger had been amicable and joint development projects between the two companies remained possible.

The failure is tbought to bave centred on reservations by some of Wheaton's sharebolders about tbeir level of control of the 50-50 joint venture.

Virtually all of Wheaton's shares are beld by relatives of the family which founded the group. Under the terms of the agreement, Mr Hintz was to be chairman of the joint venture, while Mr Bob Veghte, from Wheaton, was to be chief executive officer.

CarnaudMetalbox said it was disappointed by tha collapse, which it described as an attractive strategic move. The aim was to strengthen its position with cosmetic, pharmaceutical and perfume manufacturers and to provide a broader geographical presence.

The two companies said they had sought to derive benefits from pooling rasaarch resources and technical knowhow and from expanding their operations in south-east Asia.

CarnaudMetalbox said it remained committed to developing its health and beauty packaging businesses.

Italian metal group breaks even

By Andrew Hill in Milan

Europa Metalli-LMI, the Italian metals group with interests in France, Spain and Germany, broke even at an operating level in the first half of 1994. This follows two years of restructuring and heavy losses and provided further evidence of improved demand for industrial goods.

Europa Metalli, which specialises in the production of semi-finished goods and copper alloys, yesterday reported a small first-half net consolidated loss of L6.6bn ($4.24m) against a loss of L50.3bn in the equivalent period last year, and L131.6bn in the whole of 1993. The company said the result had been affected by a poor performance at its Spanish operation, which was being restructured, and a small loss in defence products. Group turnover increased 5 per cent to L1,813bn.

Europa Metalli is the main operating component of tha group of companies headed by Mr Luigi Orlando, one of Italy's best-known businesamen. It is controlled by Societa Metallurgica Italiana, another quoted Italian company, 47 per cent of which is in turn owned by the quoted holding company Generale Industrie Metallurgiche. The Florence-based company confirmed it was continuing to study ways of improving the group's structure, and reinforcing its financial position.

The company added if tha economic recovery continned, Europa Metalli would be able to repeat its small first-half profit on industrial activities in the full year.

KM-kabelmetal, the company's quoted German subsidiary, made a profit of DM10.7m ($6.9m) in the first half, against a loss of DM4.4m in the equivalent 1993 period.

Tréfimétaux, tha French operation, also returned to break even, having lost FFr39.5m ($7.48m) in the first half of 1993.

Cockerill seeks Eko Stahl stake

By Judy Dempsey in Berlin

Cockerill Sambre, Belgium's biggest steel producer, wants to buy a 60 per cent stake in Eko Stahl, eastern Germany's loss-making steel mill, with a further option on buying the remaining 40 per cent, Cockerill said yesterday.

At the same time, Cockerill confirmed it wanted to build an integrated steel mill, incorporating a hot-rolling mill with the aim of gaining a bigger foothold in the German market as well as expanding in eastern Europe.

Eko Stahl, located in Eisenbüttenstadt in tbe eastern state of Brandenburg, is close to the Polish border. "We think Eko Stabl would be a very interesting investment given the fact that we want a greater presence in Germany," Cockerill said.

Cockerill, whicb last week submitted a formal bid to the Treuband privatisation agency, said it would be investing between DM800m and DM1bn ($519.4m-$600m) if the deal was accepted.

However, officials added that the Belgian enterprise expected tha same level of state and federal support as was originally offered to Riva, the Italian steel group which last May suddenly withdrew its purchase offer to the Treuhand. The agency is due to respond to Cockerill's bid by October 10.

The purchase of Eko Stahl would lift Cockerill's annual capacity. Last year, tha east German mill produced 900,000 tonnes of steel, a fall of nearly 1.2m since it was placed under the Treuhand in 1990. Cockerill's annual steel capacity is 4.5m tonnes.

Metall shares tumble 11% to 1994 low

By Andrew Fisher in Frankfurt

Shares in Metallgesallschaft fell further yesterday amid continuing concern over the financial state of tha ailing German industrial company and US comments about the handling last year of its controversial oil losses.

As the share price fell by DM15.80, or nearly 11 per cent, to DM133.20 ($86.40) – a new low for 1994 and the lowest for many years – Deutsche Bank denied speculation that it and other banks involved in the company's rescue (such as Dresdner Bank) were cutting their shareholdings.

Deutscba Bank, a leading creditor as well as shareholder, danied US reports about an alleged investigation by US authorities of the bank'a role and that of Metallgesellschaft in dealing with the loss-making oil transactions.

Deutsche Bank North America said in response to US press reports about an investigation by the New York district attorney's office that it had not been contacted by its officials.

The reports centre on allegations that Deutsche may, in the latter stages, have become involved in the management of Metallgesellescbaft's controversial US oil business, carried out through MG Corporation. This would be against US law. Deutsche said the oil expert hired to sort ont the futures contracts had never been on the bank's salary list.

Metallgesellschaft said it had no explanation for the continued drop in the shares. Three weeks ago, the shares fell sharply to around DM180 on reports of moves to restructure tha share capital; this could include a reduction in capital and a subsequent rights issne. The company has been selling subsidiaries and assets to halp restore its finances.

The deterioration in Metallgesellschaft's share price could also be a response to US articles suggesting its losses on oil futures trading conld have been diminished if that business had not been liquidated so quickly.

IMF wants tougher hedge fund rules

By John Gapper, Banking Editor

Stronger requirements for hedge funds and other investors to disclose large trades in government bonds could help prevent manipulation of smaller markets, according to a study by the International Monetary Fund.

The study of trends in international capital markats argues the lack of regular information on position-taking in bond markets makes it hard to determine the impact of hedge funds, or detect manipulation.

Although it says there is no evidence that hedge funds, which may have capital of up to $100bn, collude to move prices, it points out that they "often seem to react similarly to a given set of market opportunities".

The study says that information could be "particularly useful in the smaller government securities markets, where the action of a set of placers is likely to have a larger potential impact on prices".

Hedge funds have attracted controversy since their role in the 1992 European exchange rate crisis, and the study analyses a number of regulatory concerns over their activities.

It finds no clear evidence that the 800 to 900 hedge funds, which aim for high returns by leveraging capital and making bets on foreign exchange and bond markets, have increased volatility in bond markets.

Instead, it says that hedge funds add to liquidity in bond markets. It says governments and central banks have found cases where only hedge funds have been willing to buy bonds as prices have fallen so stabilising markets.

The study, released to coincide with the IMF/World Bank annual meetings in Madrid next week, reports the view of ona country's supervisory authority that "hedge funds have become the 'buyer of last resort' in some of these markets".

However, it says that the sums which funds have to deposit with banks in order to borrow cash to trade on bond markets – typically 2 per cent to 4 per cent of the facility – may be too small to prevent markets becoming excessively leveraged.

It points out that hedge funds are calculated to wield up to four times the equity capital of large US securities firms.

More than half the capital is thought to be in "macro" funds that make bets on changes in interest and exchange rates.

International Capital Markets: Developments, Prospects and Policy Issues; IMF Publication Services, 700 19th Street NW, Washington, DC 20431; $20.

BgB's sale raises mortgage stakes

The bank aims to pool resources with Nord LB, writes Judy Dempsey

The recent decision by Bankgesellschaft Berlin (BgB) to sell a 10 per cent stake to Norddeutsche Landesbank Girozentrale (Nord LB) for DM1bn ($600m) could mark a turning point in BgB's strategy to capture a niche in the rapidly expanding mortgage sector in north and eastern Germany.

Nord LB'a access to BgB should allow the Hanover-based bank, the largest public savings bank in the region, to start denting the monopoly held in the eastern state of Brandenburg by Westdeutsche Landesbank Girozentrala, Lower Saxony's largest bank.

BgB, which was founded last January, is one of the first German institutions to bring the public and private banking sectors under one holding company. BgB includes the state-owned Landesbank Berlin, the private Berliner Bank, and tha private Berliner Hypotheken-und Pfandbriefbank mortgage bank.

Through its monopoly stake in Landesbank Barlin, the region's public savings bank, the state of Berlin holds a 67.7 per cent stake in BgB, with the Gothaer Insurance group holding 10 per cent, and minority shareholders holding the remaining 22.3 per cent. By last June, BgB's consolidated business volume was DM222bn.

However, the ability of the state of Berlin to retain its high atake has been undermined by the city's parlous finances. It is strapped for cash, running a budget deficit of nearly DM9bn, and embarking on more public spending cut-backs. As a means of reducing the deficit, the state of Berlin is free to decrease its stake in BgB to 50 per cent plus one share, the minimum required to legally guarantee the deposits of Landesbank Berlin. The question was bow it would find the right partner for the initial sale of a 10 per cent stake in the Landesbank Berlin.

"We had been seeking Nord LB as a partner for some time," said Mr Dietrich Beier, BgB's chief economist. "Of course, the DM1bn which the state of Berlin will obtain from selling a stake of the Landesbank is very important for the city'a finances. But for BgB, we saw Nord LB's presence in BgB as a crucial development of our strategy," be added.

Part of BgB's strategy with Nord LB is targeted on tha mortgage sector, reckoned to be one of the fastest growing sectors in eastern Germany. Private residential demand – and demand for housing loans in the five eastern states – is expected to grow between 12 per cent and 15 per cent this year, and continue to grow by double digits over the next few years. But the question is how Nord LB and BgB can together tap into the market.

At the moment, there are two mortgage banks in the BgB holding company: Berliner Hypotheken-und Pfandbriefbank, and Braunschweig-Hanoversche Hypothekenbank in which Nord LB holds a 30 per cent stake and BgB 60 per cent.

"What we want to do is to merge these two mortgage banks and pool our resources because we can then tap a huge market in this part of Germany," explained Mr Beier. Such a merger would either require the agreement of Nord LB, or else BgB would need to hold 75 per cent of Braunschweig-Hanoversche Hypothekenbank to push through the merger. That would mean buying 15 per cent of Nord LB'a stake in the mortgage bank.

BgB believes it can avoid this costly step and still merge the two mortgage banks largely because of the new relationship formed with Nord LB following its 10 per cent stake in BgB.

"We would hope to pool our resources in the two mortgage banks," said Mr Ralf Sernau, head of investor relations in BgB. Such a merger would lead to the creation of Germany's fourth largest mortgage bank, hut the largest one in terms of assets.

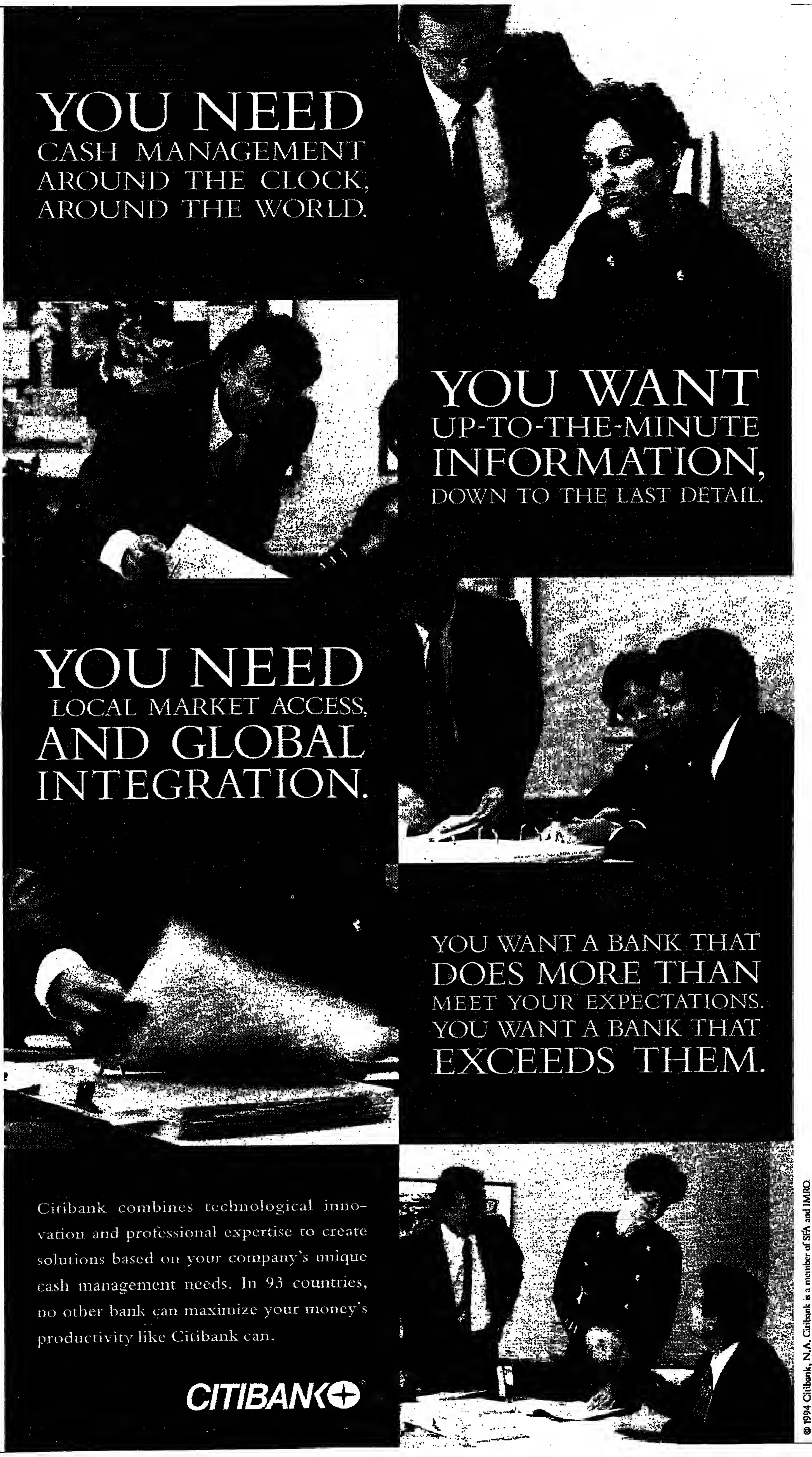
For Nord LB's part, the merger, the access hy Nord LB and BgB to each other's customers and markets, and Nord LB'a 10 per cent stake in BgB would allow the Hanover bank to gain a foothold in the state of Brandenburg.

More crucially from Nord LB's point of view, it would be in a much stronger position to challenge West LB, Nord LB's great competitor whicb is making rapid inroads into eastern Germany.

For BgB, Nord LB's stake in BgB would allow this Berlin financial institution to take over the Nord LB's EDP computer processing system. At the moment, all three banking institutions under BgB have different computer systems. And since BgB has identified Nord LB as the most effective network – Landesbank Berlin is operating under its system – all the softwear of the BgB will be lined up with Nord LB. "We will all have immediate access to customers, accounts, and information," said Mr Beier.

Once the mortgage banks are merged and Nord LB's 10 per cent in BgB is signed and sealed, BgB will tackle its next project. With the state of Berlin's stake in Landesbank set to decrease by 10 per cent to 57.7 per cent following its sale to Nord LB, there is speculation that Berlin is seeking to reduce its stake to just above 50 per cent.

"In which case, we would consider a foreign partner," said Mr Beier.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Air France under pressure to reduce stake in Sabena

By Emma Tucker in Brussels and John Ridding in Paris

Sabena is seeking to pressure Air France into reducing or selling its minority stake in the Belgian state-owned carrier to enable the formation of partnerships with other interested airlines.

Sabena confirmed yesterday that Delta, American Airlines, Swiesair and KLM had expressed an interest in buying a share of the company. Under an alliance formed in 1992, Air France owns two thirds of Finacta, a Belgian holding company which has a 37.5 per cent stake in Sabena.

Mr Elio di Rupo, the Belgian transport and communications minister, and Mr Pierre Godfroid, president of Sabena, are examining tbe findings of a report assessing the relationship between the two airlines. They are unlikely to comment on the report, carried out by Lazard Frères, the French bank, before the middle of next month.

"It is clear that we can't stand etill in this period of rapid transition of the aviation world," Sabena said yesterday. "If we do, we will lose terrain to our competitors."

Air France said that it had not yet received the report from Lazard and that it did not intend to sell its stake in the Belgian airline. "We are in Sabena and we will stay there," the French state-owned carrier stated.

Air France officials said that they had performed their duty as a shareholder in Sabena, completing the fourth and final BFr1bn ($31m) payment for its investment in July. The payment was the subject of uncertainty giveo the financial coostraints facing Air France, which suffered losses of FFr8.48bn ($1.6bn) last year.

The French airline said that the report commissioned from Lazard is aimed et presenting an analysis of the performance and prospects of the alliance. The partnership has brought co-operation in several areas, including the co-ordination of flights between Paris and Brussels, shared agencies in some cities and co-operation on air miles schemes.

Industry observers said that Sabena was seeking to forge new partnerships in an attempt to strengthen its international operations. Both Sabena and Swissair have code-sharing agreements with Delta under which they link their route networks on booking systems. The airlines plan a joint service between Chicago and Brussels from November and co-operation in areas such as cargo and passenger handling. Analysts believe the agreements could herald a deeper strategic partnersihp between the airlines.

Chrysler unit adds lawsuit to Castor pile

By Bernard Simon in Toronto

The pile of lawsnits surrounding Castor Holdings, the Montreal-based property finance group which collapsed in 1992, has grown further with a C$200m (US$149m) claim by Chrysler's Canadian subsidiary against a Toronto-based trust company which acted as custodian for Chrysler's pension funds.

Chrysler Canada's pension fund was the biggest single creditor of Castor, which was created by Mr Wolfgang Stoltzenberg, the German-Canadian financier, as a tax-sheltered vehicle for European investors to share in the 1980s North American property hoom. Many of Castor's investments were in high-risk second and third mortgages.

Castor's creditors have submitted claims of about C$1.3bn against the estate. However, the chances of them retrieving anything are negligible.

The creditors and Castor's bankruptcy trustee have also launched numerous legal proceedings, notably against Coopers & Lybrand, Castor's auditors. The claims against Coopers total more than C$900m.

Chrysler Canada claims that National Trust is responsible for losses totalling C$180m which were suffered by its pension fund in Castor's collapse. National said yesterday, however, that all investment decisions relating to Castor were taken by senior Chrysler employees. It said that Chrysler also made direct corporate investments in Castor.

Besides the claims against Coopers, the hankruptcy trustee is also suing Mr Stoltzenberg and Castor's other directors. According to the trustee, the directors should be held liable for a dividend declared less than a year before Castor collapsed.

All the actions are being vigorously defended. Coopers has submitted a list of 492 "particulars" on which it wants further information. Bot the courts have so far allowed it to proceed with only a fraction of the queries.

Nextel plans $78m deal to buy AMS

By Louise Kehoe in San Francisco

Nextel Communications, which aims to create a US-wide wireless communications system, has announced plans to acquire American Mobile Systems for stock in a deal valued at about $78m.

Last year Nextel reached agreement to acquire up to 61 per cent of AMS for cash and certain assets. The restructuring of the agreement into a non-cash transaction follows the cancellation of MCI's plans to acquire a 17 per cent stake in Nextel for $1.3bn.

The previous agreement between Nextel and AMS will be terminated when the companies enter into a definitive merger agreement.

Nextel is pressing ahead with plans to create a nationwide wireless communications service combining voice, data, paging and radio dispatch. It recently expanded its services in California to cover San Francisco, Sacramento and Los Angeles.

Court allows ousting of Wallace McCain

By Bernard Simon

A New Brunswick court has allowed one faction of Canada's feuding McCain family, which cootrols the McCain frozen food and beverage empire, to oust Mr Wallace McCain as the group's president and joint chief executive.

The court decision follows three years of wrangling between Mr McCain and his brother Harrison over wbo sbould sncceed them as McCain Foods' chief executive officer, and over the future direction of the multinational company.

McCain Foods has 68 plants in North America, Europe and Australasia. It reported sales of C$2.7bn (US$2.0bn) last year.

The two brothers, who are both in their mid-60s, founded the company 38 years ago. Their relationship, however, has been marked by lawsuits and public insults since Wallace angered Harrison by tipping one of his sons as the group's next chief executive.

A majority of McCain family shareholders decided earlier this month to give Wallace the title of deputy chairman. Harrison would remain sole chief executive until an outsider was recruited.

Wallace, who owns some one-third of McCain Foods' shares, sought an injunction to prevent the decision being carried out.

However, Mr Justice Creaghan said that "while it is true that Wallace McCain has made a significant if not essential contribution to the success of the company in the past, that is not to say that the company cannot successfully operate in the present without guidance from [him] acting as a co-CEO."

Wallace McCain bas launched a separate lawsuit which seeks to have McCain Foods and its holding company restructured. The restructuring would include a public offering of about 20 per cent of the McCain family's shares. But this proposal has so far been rejected by Harrison McCain and other family members, mainly the children of two other brothers who died.

Chevron upbeat on Tengiz project

The oil group remains committed to the Kazakhstan scheme, writes **Robert Corzine**

Chevron, the US oil company, says it had no plans to pull out of its $20bn Tengiz oil project in Kazakhstan in spite of repeated failures to reach an agreement on an oil export pipeline through Russia.

Mr Ken Derr, chairman, said that negotiations were continuing on the proposed pipeline, "but we have not been able to reach a satisfactory agreement on the financial exposure" of the various parties in the Caspian Pipeline Consortium.

This has not undermined Chevron's support for the Tengiz project, on which it has spent $600m. Mr Derr said Tengiz was "a one shot opportunity to make a strategic, long-term investment" that would virtually double the company's oil reserves.

The positions of Chevron and the Kazakh government, the joint developers of the field, were "completely compatible" according to Mr Derr. They have, however, been unable to agree financial terms with Russia and the Oman Oil Company, the other two consortium members. Mr Derr was optimistic, however, that a deal would emerga "sooner rather than later".

Asked about recent statements from Moscow questioning the legality of western oil deals in the former Soviet republics bordering the Caspian Sea, Mr Derr agreed that Russia was taking "more than a passing interest" in the region.

But he believes it is in Russia's interest to see the development of petroleum reserves in Kazakhstan and Azerbaijan.

That was because of the substantial pipeline revenues it would receive and the economic stability which oil development would bring to the region.

He denied that Chevron had been rash to book Tengiz reserves without a guaranteed export outlet. Only 1bn of the 3bn barrels of Tengiz reserves attributable to Chevron under the 40-year deal had been booked. He said 1bn barrels could be exported over the life of the project through swap deals with Russia even if no dedicated pipeline materialised.

In recent weeks Chevron has increased its Tengiz exports to 50,000 to 60,000 barrels a day, almost double the original quota. But that is half of the 130,000 b/d capacity which Chevron will have in place early next year and well below the planned peak of 700,000 b/d.

Ken Derr: describes Tengiz as a 'one shot opportunity'

Mr Derr said Chevron's financial performance was likely to improve in the second half of the year after a disappointing first, in which low crude oil prices and operating problems at US refineries took their toll.

The sale of some of Chevron's oldest refineries and a $1bn improvement programme at refineries in its bome base of California would place downstream operations in a "very competitive position" by the end of next year, he said.

Chevron's future, he added, "lies in the international exploration and production business" because so much of the US was off limits to oil companies.

But the company saw no reason to split its international E&P business from its domestic operations.

They were already separated internally, said Mr Derr, and the combination gave the company a "built-in balance".

Defence expert to head McDonnell Douglas

McDonnell Douglas, the US defence and aerospace group, yesterday announced the appointment of Mr Harry Stonecipher, chairman of Sundstrand, the Illinois-based aircraft and industrial products company, as its new president and chief executive, writes Patrick Harverson in New York.

Mr Stonecipher, 58, takes over from Mr John McDonnell, who will remain as chairman. He joins McDonnell at a critical time for the company, which will have to navigate choppy waters as the domestic defence Industry reshapes itself in the wake of a sharp contraction in US military spending. As part of that restructuring, several of McDonnell's largest competitors have joined forces recently in billion-dollar mergers, including Lockheed and Martin Marrietta, Grumman and Northrop.

Among his more immediate tasks, Mr Stonecipher will have to persuade the Pentagon and Congress not to reduce orders of the C-17 military transport plane, and decide whether to sell McDonnell's missile business.

Investors and analysts appeared to welcome the appointment, with buyers bidding up McDonnell's shares $1¼ to $112⅞ on the New York Stock Exchange.

GM and Moore units sign $1bn 10-year deal

By Louise Kehoe

EDS, the computer services subsidiary of General Motors, and Moore Business Forms & Systems, the US unit of Moore Corporation of Toronto, have signed reciprocal 10-year agreements together valued at more than $1bn.

Under the terms of the alliance, Moore will handle all of EDS' forms and commercial printing requirements, a move expected to generate revenues of $500m-$1bn for Moore. EDS will assume responsibility for overall information technology support, including process re-engineering and systems development, through an outsourcing agreement. EDS expects to generate revenues of $400m to $700m with the agreement.

"Our alliance will enable each company to take advantage of the other's core competencies to help them maintain competitive advantage in their industries," said Mr Gary Anderson, EDS group executive for high-tech manufacturing.

Moore, a leader in the design and production of printed business forms, aims to reposition itself as a provider of information handling services. The company said it would take advantage of EDS' business process re-engineering services to speed up the transformation.

Tokyo relaxes rules to allow derivatives trade

By William Dawkins in Tokyo

Japan yesterday took a small step on its long road to financial deregulation by permitting banks to trade in two forms of financial derivatives.

The finance ministry's decision to allow forward rate and forward exchange agreements from next Monday enacts a proposal included in the most recent government deregulation package in June – under pressure from Japanese commercial banks.

This will be of only moderate practical use to banks operating in Japan, but it does bring highly-regulated Tokyo more in line with other financial centres in this specialised area of financial derivatives.

It means banks and their customers will be allowed to trade foreign exchange and fixed interest instruments outside the regulated futures exchanges, giving them the scope to set agreed interest and currency rates.

Until recently, the finance ministry was reluctant to permit this kind of contract on the grounds that it was close to gambling for cash prizes, forbidden under Japanese law.

But the ministry is now becoming increasingly concerned about the amount of securities and banking business leaving Tokyo for cheaper and less regulated markets in Asia and Europe.

This concern has yet to translate into a desire to make Tokyo's capital markets as free from official regulation as New York or London. Accordingly, deregulation of the instruments concerned will be only partial, as is the case in many other financial services.

Banks wanting to trade the new instruments will have to reveal essential details to the ministry, such as the currency, the parties to the contract, and the method and period of settlement. They must make regular reports to the ministry on the conditions of transactions, said an official.

Parties able to take part in the transactions will include commercial banks, securities houses, companies with credit ratings, and companies listed on the main stock exchange or over-the-counter market, said the ministry.

Amoy lifts payout as profits rise 24%

By Louise Lucas in Hong Kong

Amoy Properties, the property investment company which joins the Hang Seng Index as a constituent stock in November, has reported a 24 per cent rise in net profits to HK$1.5bn (US$194m) for the year to June 30, from HK$1.2bn the previous year.

The company also proposes an increase in dividend.

The parent company, Hang Lung Development – the property development and hotel company controlled by the Chan family – saw profits rise 26 per cent to HK$2bn over the same period, from HK$1.6bn last year.

The results were broadly in line with market expectations, with Hang Lung's earnings at the lower end of forecasts.

Mr Ronnie Chan, group chairman, said Amoy spent an aggregate HK$4bn in adding four quality properties to its portfolio in the year under review.

The company also holds a 70 per cent stake in a project led by Hang Lung to develop a 211,300 sq m commercial and office complex in Shanghai.

Taken on a fully diluted basis, Amoy's earnings per share climbed 20 per cent to 62.3 cents from 52 cents. Directors are recommending a final dividend of 27.5 cents, 17 per cent up on the 23.5 cents paid out this time last year.

Hang Lung has added a total buildable space of around 107,300 sq m to its land bank in Hong Kong, which Mr Chan says is sufficient for development up to 1997. The price tag on this additional land was HK$2.1bn.

Earnings per share on a fully diluted basis rose 20 per cent to 153.4 cents from 128.3 cents and shareholders are to receive a dividend of 43 cents – an improvement of 18 per cent on the previous year's 36.5 cents payout – as well as a bonus issue of warrants.

The one-for-10 bonus issue will entitle the holder to subscribe HK$16 for shares from January 1 to October 31, 1997.

The share price closed at HK$14.2 on Friday, before the results were announced.

Poseidon in A$740m venture deal

By Bruce Jacques in Sydney and Kenneth Gooding in London

Normandy Poseidon, the Australian gold producer, and Bureau de Recherches Géologiques et Minières (BRGM), the French government-controlled mining group, have announced plans to form one of the world's most diverse resource ventures through transactions involving almost A$740m (US$544m).

The deal represents the first major overseas expansion by Normandy and follows a recent decision by the French Government to merge its mining division with a privately-owned group with a view to building an international mining house.

It also calls into question the long-standing relationship between Normandy and Anglo American Corporation of South Africa which in the past Mr Robert Champion de Crespigny, Normandy's chairman, has described as "very special".

Anglo recently transferred its near-20 per cent holding in Normandy to its offshore operating arm, Minorco, which also has ambitions to expand globally. Although Normandy and Minorco will find themselves competing for international assets, Minorco welcomed the BRGM deal and said: "The world is a big place. We hope relationships are good enough for [Minorco and Normandy] to work side by side rather than in competition."

Normandy's deal with BRGM will create a group with mining and exploration interests in Europe, Africa and South America and also involve BRGM taking a 9 per cent interest in Normandy, which has annual Australian gold production of more than 1m oz.

The centrepiece will be the formation of a new company, La Source Compagnie Minière SAS (LaSource), controlled 60 per cent by Normandy and 40 per cent by BRGM.

The Normandy group will earn its interest in LaSource by paying A$118m, while BRGM will contribute assets valued at around A$338m and liabilities of A$50m.

Other major components of the deal include:

- Poseidon Gold, a Normandy associate, will pay a further A$130m for a 37 per cent share in Company Minière International Or SA (Mine Or SA), which will include all BRGM's gold interests. La Source will control 40 per cent of this company and BRGM 23 per cent.
- Mine Or SA will purchase, for about A$43m to be satisfied by a promissory note, companies controlling Eurogold Madenclik, a Turkish gold operation, and other resource interests in Greece and Bulgaria.
- On completion, BRGM will subscribe for 47.6m Normandy shares at A$2.19, representing about 9 per cent of the company's capital, and raising A$105m. The price compares with a close of A$2.55, up 5 cents, for Normandy shares on Australian stock exchanges yesterday.

The deals are subject to government and shareholder approvals, and possibly some pre-emptive rights. The contractual completion date is June 30 next year.

Mr Champion de Crespigny said the transaction represented a quantum leap in offshore expansion for Normandy. The new venture would provide access to exploration ground and potential for further acquisitions.

Its assets would include an iron ore project in Guinea, a mineral sands project in Cameroon and control of the Yanacocha gold mine in Peru.

British Gas delists in Japan

By William Dawkins

The Tokyo stock exchange was presented yesterday with fresh evidence of declining competitiveness when two more blue chip foreign companies announced that they would delist.

British Gas and Scott Paper, the US personal paper products group, yesterday asked to be delisted in Tokyo from December 31.

They cited the low volume of trading in their shares and the high costs of maintaining a Japanese listing as the reasons.

A Tokyo listing costs three to four times as much as other leading markets, at Y15m to Y20m ($153,523-$204,697) a year, mainly for translating reports for Japanese permits and observing regulations.

The companies' decision will bring to 17 the number of foreign companies to have moved off the Tokyo stock market since the turn of the year, leaving 93 foreigners still listed. At its peak three years ago, the number of foreign businesses listed in Tokyo stood at 127.

British Gas, which received a Tokyo listing in 1988, said its move was part of its effort to cut costs worldwide. Maintaining a listing in Japan was more complicated than elsewhere, it added, and the 3,701 Japanese investors in British Gas hold only 0.2 per cent of shares.

Scott Paper said it had no need to raise equity capital in Tokyo.

The exodus of foreign companies, plus heavy staff cuts among foreign banks in Tokyo over the past year, has underlined how Tokyo's capital markets are losing competitiveness to fast-developing financial centres in Asia and rivals in the US and Europe.

Media groups to merge networks

Austereo, the Australian radio group, and the entertainment group Village Roadshow, which were involved in a hostile takeover bid last week, have agreed to merge their radio networks, Reuter reports from Melbourne.

In place of its hostile bid, Village will acquire at least 50.1 per cent of Austereo in two stages via a placement and a partial bid at A$0.55 (US$0.40) a share higher than Village's first offer.

Austereo will issue 52.5m shares to Village and Village will offer A$1.75 a share for 20 per cent of each Austereo's shareholder's existing stake.

Village Roadshow's original takeover offer for Austereo was A$1.20 a share, but the market soon moved above this level and on Friday the shares closed at A$1.35. Austereo shares were suspended yesterday at the company's request.

The Austereo share issue, together with Village Roadshow's current 12.8 per cent stake, will take Village's shareholding to 40.8 per cent of Austereo's enlarged capital.

Under the deal, Austereo will purchase Village's Triple M radio stations in Sydney, Melbourne, Brisbane and Adelaide, and may acquire Triple M in Perth by means of the share issue. The Triple M stations will join the current Austereo network comprising seven stations in Sydney, Melbourne, Brisbane, Adelaide and Canberra.

The merger is subject to clearance by the anti-monopoly Trade Practices Commission and approval by Austereo shareholders.

NEWS DIGEST

Coles may cancel shares in buy-back

Mr Peter Bartels, chief executive of Coles Myer, the Australian retailer, said he preferred the option of cancelling a further 11.45 per cent of the company's shares rather than sell the equity to a third party, writes Nikki Tait in Sydney.

The question of what to do with the stake arises from Coles's decision to buy back the 21.45 per cent interest in its shares which has been held by Kmart, the Michigan-based retailer. Coles last week gained shareholder approval for the A$1.26bn (US$920m) deal.

The transaction will take place in two parts. Coles will buy back and cancel 129m shares, or just under 10 per cent of the equity, for A$586.9m.

But it has yet to resolve the question of what to do with the second tranche of Kmart shares, covering 11.45 per cent of its stock.

Both tranches are being bought back by Coles at A$4.55 a share, a substantial premium to the company's closing price on Friday, which saw the stock end 4 cents lower at A$3.98.

Tractebel rises 4% in first half

Tractebel, the Belgian energy and civil engineering group, saw consolidated net profits for the first half of this year rise by 4 per cent, from BFr16.5bn ($519m) in the first six months of 1993 to BFr17.2bn, writes David Gardner in Brussels.

Turnover in the same period rose from BFr123.3bn to BFr130.5bn, largely due to expanding sales in the group's international electricity and gas business.

Tractebel said that it expected results for the full year to be "at least equal to 1993's".

It also expected to maintain "at least" the level of last year's dividend.

Kuwait bankers approve bonus

The Commercial Bank of Kuwait said its net profit rose 8.4 per cent to KD11.5m ($38.7m) in 1993 from KD10.6m in 1992, Reuter reports from Kuwait.

It said in its 1993 annual report that net income from banking activities rose to KD21.5m from KD21.1m in 1992.

The bank approved a dividend of 10 per cent in bonus shares worth a total of KD6.84m.

Australian joint venture agreed

Lend Lease, the Australian financial services group, is setting up a joint venture with a subsidiary of GE Capital Services of the US to invest in infrastructure projects in Australia and New Zealand, writes Nikki Tait.

The joint venture company will be called Infrastructure Investment Corp, and will be managed by GELLCO Infrastructure Services. It will look at projects in power, water, gas, transport and telecommunications.

Spotlight turns on Gas Light

The Trade Practices Commission, Australia's competition watchdog, is to investigate the arrangements by which Australian Gas Light is permitted to haul natural gas from the Cooper Basin in South Australia to heavily-populated east coast areas, writes Nikki Tait.

The company is a quoted utility and the country's largest natural gas pipeline company.

The TPC said it would draw on a separate Industry Commission study, to be completed by December 14, which will look at changes in gas industry operations.

Shougang surges to HK$103m

By Louise Lucas

Shougang Concord International Enterprises Company, the mainland metals conglomerate listed on the Hong Kong stock exchange, has reported a surge in first-half net profits of 920 per cent to HK$103.19m (US$13.32m).

The profits were struck on a turnover of HK$2.9bn, 262 per cent up on the HK$805.4m of the same period last year.

Mr Zhou Beifang, chairman, said the metals trading business performed impressively but was held back by construction materials, where keen competition prompted losses.

Basic earnings per share rose 176.7 per cent to 8.3 cents. Shareholders are to receive an interim dividend of 2.5 cents.

Shougang Concord Grand, formerly Kader Investment and about to come under the control of Shougang International, recorded a fall of 35 per cent in first-half net earnings to HK$20.5m from HK$31.6m. It is recommending a dividend of 1.5 cents. Earnings per share, on a fully diluted basis, fell 37 per cent to 2.8 cents from 4.43 cents.

INTERNATIONAL CAPITAL MARKETS

Belgium sets scene for World Bank DM global

By Graham Bowley

The Kingdom of Belgium launched its long-awaited D-Mark eurobond issue yesterday, with a DM1bn offering of five-year fixed-rate bonds.

The bonds, priced to yield 25 basis points over government bonds, were sold mainly to European investors, joint lead manager Dresdner Bank said. But demand from retail investors is expected to increase over the next few days.

This sets the scene for the World Bank's global D-Mark offering which it expects to launch next week, the Bank said yesterday. The deal is likely to be a DM2bn issue of five-year fixed-rate bonds.

The offering, the World Bank's second ever global D-Mark issue, is likely to be priced at a spread "in the low to mid-teens" over government bonds, officials at Morgan Stanley said yesterday.

Morgan Stanley is joint lead manager of the deal with Deutsche Bank.

The World Bank has a funding requirement of DM7bn to DM8bn for the current fiscal year in D-Mark group currencies, which include other currencies such as Swiss francs, Bank officials said. The fiscal year ends in July 1995.

INTERNATIONAL BONDS

So far this fiscal year, the World Bank has launched one issue in D-Mark group currencies with an offering in Swiss francs worth SFr200m.

An official revealed yesterday that the Bank is now considering a second global D-Mark offering in the first half of 1995. "There is room now for a second global deal in the first half of 1995," he said. "We came now with this offering in order not to crowd out that next issue."

The official said that there had been significant interest in the current planned offering in a number of European markets, in North America and in Asia.

At the short-end of the French franc sector, the Abbey National launched a FFr2bn issue of two-year bonds, offering a yield of 7.25 per cent.

This follows its decision last week to postpone its proposed global dollar offering due to volatile market conditions.

Mr Gareth Jones, Abbey National's treasurer, said: "There is now some appetite for bonds after the sell-off over the last couple of weeks, enough to support a relatively small deal such as this, but hardly enough to support a global offering."

"Abbey National is becoming an increasingly well-known name in this sector, and we have a positive outlook for French franc rates since we believe there is going to be another cut in German interest rates," said an official at lead manager Banque Paribas.

The current deal is the Abbey National's third offering in French francs so far this year.

San Miguel, the Philippines brewing and food company and the country's largest manufacturing enterprise, launched its debut eurobond offering with a $115m issue of bonds due April 2000.

The bonds, which were priced to yield 190 basis points over US Treasuries, were sold 40 per cent into the US, 35 per cent into Europe and 25 per cent into Asia, lead manager J.P. Morgan said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Thai Oil Co.(a)‡	200	(a1)	99.65R	Nov.2001	0.20R	-	Chemical Securities HK
San Miguel Corp.	115	9.00#	99.60R	Apr.2000	0.75R	+190(WI 5yr)	JP Morgan Securities
BBV Finance International★	50	zero	94.225	Sep.1995	0.10	-	Sanwa International
FRENCH FRANCS							
Abbey Natl.Treasury Services	2bn	7.25	99.96	Nov.1996	undisd.	-	Banque Paribas
D-MARKS							
Kingdom of Belgium	1bn	(b)	(b)R	Oct.1999	0.25R	+25(6¼%-99)	Dresdner/ SBC Frankfurt
Banco Nacional	100	10.25	100.60	Oct.1997	1.80	-	Commerzbank
ITALIAN LIRE							
Ford Credit Europe	150bn	11.70	101.54	Nov.1999	1.625	-	Credito Italiano
Bayerische Hypobank	150bn	11.10	101.075	Nov.1996	1.125	-	BNL/ San Paolo, Turin
AUSTRALIAN DOLLARS							
New Sth. Wales Treasury Corp.	100	9.25	101.04	Nov.1997	1.50	-	Barclays de Zoete Wedd
SWISS FRANCS							
PSK	200	5.625	102.50	Nov.2002	-	-	Credit Suisse
Rabobank Nederland(c)	75	5.125	101.55	Sep.1997	1.50	-	Merrill Lynch Cap.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable in Nov.99 & Nov.00 at par. a1) 6-mth Libor +65bp. b) Priced today. c) Issue launched on 10/8/94 was increased to SFr175m.

Bank considers pension fund gilts

By Norma Cohen, Investments Correspondent

The Bank of England is considering ways to design gilt-edged securities for UK pension schemes which have been wound up by an insolvent employer or have large numbers of deferred pensioners.

Impetus for the move comes partly from the expectation that many pension schemes of insolvent UK employers will be wound up following a European Court of Justice ruling on sex equality on Wednesday. UK schemes have been waiting four years for the judgment.

Wound-up schemes, which do not receive contributions from members, need to ensure they can meet the liabilities of former employees who may not retire for many years.

Contracts to ensure that such benefits are paid are sold by insurance companies but cost far more than pension schemes typically allocate for deferred liabilities.

The Bank has been approached by numerous groups urging the creation of securities for pension schemes which do not need to earn cash flow from their investments immediately. However, once the liabilities become due, they will need an inflation-linked investment return over a period of many years.

One plan calls for the creation of long-term gilts issued as zero-coupon bonds for a period of 5, 10 or 20 years. At maturity they would pay interest at an agreed rate over, say, a 10-year period. Alternatively, they could pay a rate equal to the retail price index or five per cent, whichever is lower.

From April 1997, all UK pension schemes will be required to increase benefits to pensioners at that rate.

US Treasury prices edge higher ahead of FOMC meeting

By Frank McGurty in New York and Martin Brice in London

US Treasury bonds edged higher yesterday morning in cautious trading ahead of today's meeting of the Federal Reserve's policy-making arm.

By midday, the benchmark 30-year government bond was $\frac{5}{32}$ better at 96¾, with the yield rising to 7.774 per cent. At the short end, the two-year note was up $\frac{1}{32}$ at 99$\frac{9}{32}$, to yield 6.474 per cent.

It was a quiet session in which activity was constrained by impending decisions on monetary policy. Traders appeared satisfied with previous adjustments to their positions, though no clear consensus has emerged on whether the Fed would opt to lift interest rates at today's meeting of the Federal Open Markets Committee.

Some analysts argued that the strength of recent economic data, especially August industrial production figures, would encourage the central bank to tighten credit conditions immediately to keep ahead of inflation.

Others believed the Fed would wait until the release of another month's data before making its move. The approach of the November congressional elections was a consideration which would discourage an early rate increase, analysts said.

Amid such speculation, a shred of news suggesting economic weakness cast a positive tone over the morning's activity. The National Association of Realtors said sales of existing single-family homes had fallen 1.8 per cent last month.

The data suggested that the economy was not growing as fast as some traders had feared, though the report, viewed in isolation, was not considered especially convincing. Still, it allowed prices across the board to appreciate.

The long bond, which would benefit the most from a move by the Fed to slow the economy, improved the most. The short end, which would feel the direct effect of higher short-term rates, lagged.

GOVERNMENT BONDS

■ European government bond prices drifted yesterday as nervous markets waited the impact on US interest rates of today's meeting of the FOMC, the Federal Reserve's policy-making body.

Trading volume was very low and most markets were largely unchanged on the day, with only Italy and Spain reacting to domestic events and providing a slight rise to relieve the torpor.

■ German bunds slipped in the morning but recovered to close largely unchanged, with the December bund future around 88.94 in late trading, down 0.04 on the day.

Mr Adrian Owens, European economist at Yamaichi in London, said a key factor in the bund market this week would be the meeting on Thursday of the Bundesbank council.

While he said he did not expect a change in interest rates this week, he added, "If things continue as they are, there may be one final cut in interest rates later this year."

■ UK gilt prices were unmoved yesterday as Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, held their regular meeting on monetary policy.

Few in the market expected that meeting to result in an increase in base rates so soon after the September 12 rise of 50 basis points. Mr Ifty Islam at Merrill Lynch said: "They will probably agree to keep policy on hold."

The main event in the gilt market this week after today's FOMC meeting is likely to be the 10-year gilt auction on Wednesday. Mr Islam said he expected to see good demand for the bonds, with the auction likely to be covered between 1.5 and 2 times.

■ Yields on Italian government 10-year bonds fell by 5 basis points to 11.86 per cent yesterday on hopes of progress on pension reform, which would cut the government deficit.

■ Spanish government bonds rose slightly yesterday, buoyed by the conclusion of the budget.

Mr Simon Maggs at UBS said: "This removes any political risk for the foreseeable future." The yield on the 10-year bond fell 5 basis points to 11.14 per cent.

News Corp seeks ruling on Pearson convertibles

By Conner Middelmann

News Corporation, the media group, is taking legal action against merchant bank J Henry Schroder Wagg over preference shares and convertible bonds issued by News.

The dispute stemmed from confusion over the conversion terms of the issues, which were convertible into shares owned by News in Pearson, owner of the Financial Times.

Several investors, including Schroder, incurred significant losses and asked for the matter to be brought to the City Disputes Panel but News chose to take the matter to the High Court to obtain a "declaratory judgment" ruling the bank has no grounds for compensation.

Schroder does not consider the courts to be the appropriate forum for the dispute and wants the matter to be brought before the disputes panel.

News Corp said that it "decided to take steps ... to have the matter resolved by the most appropriate and comprehensive means and, accordingly, has commenced proceedings against a claimant whose claim raises many issues common to those of other claimants for a declaration that it has no liability in respect of that claim".

The Schroder claim was selected "as suitable subject for proceedings ... because it raises more issues common to claims made by investors than any other claim".

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	08/04	82.5900	-0.230	10.20	10.10	9.33
Belgium		7.250	04/04	91.6000	+0.180	8.56	8.64	8.37
Canada *		6.500	06/04	84.3500	-	8.96	8.86	8.65
Denmark		7.000	12/04	86.5600	+0.300	8.07	8.18	8.75
France	BTAN	8.000	05/98	101.6250	+0.130	7.46	7.55	7.17
	OAT	5.500	04/04	82.8800	-0.200	8.14	8.13	7.76
Germany Bund		6.750	07/04	94.2900	-0.040	7.59	7.65	7.18
Italy		8.500	08/04	82.5100	+0.310	11.51†	11.93	11.57
Japan	No 119	4.800	06/99	103.6040	-0.010	3.86	3.91	4.05
		4.100	12/03	97.2330	-0.090	4.53	4.59	4.71
Netherlands		5.750	01/04	88.2600	+0.640	7.55	7.61	7.25
Spain		8.000	05/04	81.6000	+0.050	11.16	11.35	10.86
UK Gilts		6.000	08/99	89-11	-	8.72	8.75	8.32
		8.750	11/04	85-24	-4/32	8.90	8.96	8.58
		8.000	10/08	101-02	-3/32	8.65	8.92	8.47
US Treasury *		7.250	08/04	97-31	+4/32	7.54	7.49	7.22
		7.500	11/24	96-24	+7/32	7.78	7.76	7.48
ECU (French Govt)		8.000	04/04	82.8600	+0.040	8.70	8.70	8.31

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.63	Two year	6.47
Prime rate	7¾	Two month	4.75	Three year	6.77
Broker loan rate	6½	Three month	4.88	Five year	7.17
Fed.funds	4⅝	Six month	5.41	10-year	7.54
Fed.funds at intervention	-	One year	5.87	30-year	7.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.84	110.72	-0.06	111.04	110.70	72,789	126,320
Mar	110.10	109.98	-0.06	110.18	110.04	90	7,160
Jun	109.40	109.28	-0.06	109.40	109.40	2	350

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
110	0.30	-	-	0.18	1.16	2.14
111	0.05	1.38	-	0.50	1.53	-
112	0.01	0.90	1.26	-	2.08	-
113	-	0.57	-	-	2.73	-
114	-	0.33	-	-	-	-

Est. vol. total, Calls 17,413 Puts 17,284. Previous day's open int., Calls 240,227 Puts 332,899.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.00	88.92	-0.05	89.14	88.73	68566	147697
Mar	88.06	88.26	-0.10	88.34	88.06	127	1318

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
8850	1.09	1.43	1.28	1.58	0.67	1.01	1.60	1.82
8900	0.82	1.14	1.04	1.34	0.90	1.22	1.78	2.08
8950	0.59	0.89	0.85	1.12	1.17	1.47	2.09	2.36

Est. vol. total, Calls 9693 Puts 14088. Previous day's open int., Calls 186944 Puts 178460

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.85	99.00	-0.05	99.38	98.75	21894	64032
Mar	98.50	98.45	-	98.50	98.50	75	860

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9900	2.00	2.99	2.00	3.54
9950	1.73	2.77	2.23	3.82
10000	1.49	2.56	2.49	4.11

Est. vol. total, Calls 595 Puts 147. Previous day's open int., Calls 11997 Puts 16997

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.12	86.22	+0.20	86.45	86.12	25,857	69,146

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99-28	99-30	-0-03	100-04	99-24	306	18408
Dec	99-01	99-04	-0-04	99-12	98-26	26806	91240
Mar		98-16	-0-04			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
99	1-57	2-42	1-49	3-10
100	1-26	2-14	2-18	3-46
101	1-00	1-54	2-56	4-22

Est. vol. total, Calls 1820 Puts 540. Previous day's open int., Calls 48471 Puts 32501

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.56	79.58	+0.02	79.70	79.56	1,309	8,167

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-09	99-15	+0-06	99-18	99-08	302,257	388,620
Mar	98-22	98-25	+0-06	98-28	98-19	1,365	15,287
Jun	98-07	98-07	-	98-07	98-07	29	833

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.37			108.39	108.16	1357	0
Mar	107.59			107.60	107.59	20	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Sep 26	Day's change %	Fri Sep 23	Accrued interest	xd adj. ytd		Low coupon yield Sep 26	Sep 23	Yr. ago	Medium coupon yield Sep 26	Sep 23	Yr. ago	High coupon yield Sep 26	Sep 23	Yr. ago
1 Up to 5 years (24)	118.21	+0.01	119.28	1.91	8.22	5 yrs	8.82	8.83	6.24	8.87	8.87	6.54	8.02	8.02	8.75
2 5-15 years (21)	136.81	-0.04	136.86	1.72	9.86	15 yrs	8.77	8.74	7.16	8.91	8.89	7.30	9.12	9.11	7.53
3 Over 15 years (9)	152.80	-0.16	152.25	1.92	9.81	20 yrs	8.69	8.67	7.28	8.91	8.89	7.36	8.99	8.98	7.55
4 Irredeemables (6)	174.84	+0.07	174.73	3.27	8.83	Irred.†	8.71	8.72	7.43						
5 All stocks (60)	134.68	-0.04	134.78	1.86	9.35										

Index-linked							Inflation 5% Sep 26	Sep 23	Yr. ago	Inflation 10% Sep 26	Sep 23	Yr. ago
6 Up to 5 years (2)	184.35	+0.01	184.34	-0.10	5.07	Up to 5 yrs	4.08	4.05	2.66	2.91	2.90	1.73
7 Over 5 years (11)	170.92	—	170.91	0.72	3.96	Over 5 yrs	3.94	3.93	3.20	3.74	3.74	3.02
8 All stocks (13)	171.44	—	171.43	0.64	4.04							

Debentures and Loans						5 year yield Sep 26	Sep 23	Yr. ago	15 year yield Sep 26	Sep 23	Yr. ago	25 year yield Sep 26	Sep 23	Yr. ago
9 Debs & Loans (76)	125.74	+0.18	125.78	2.43	8.15	9.89	9.90	7.86	9.82	9.83	8.21	9.75	9.76	8.34

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20	Yr ago	High*	Low*
Govt. Secs. (UK)	90.27	90.23	90.06	89.71	89.54	101.68	107.04	89.54
Fixed Interest	107.20	107.09	106.67	106.50	106.73	122.58	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19
Gilt Edged bargains	118.1	122.3	81.8	137.9	103.2
5-day average	114.3	112.8	104.4	102.8	97.5

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.96	5.62	100$\frac{15}{32}$	—	103$\frac{13}{32}$	100$\frac{13}{32}$
12pc 1995		11.75	5.82	100	—	107$\frac{3}{32}$	102
Exch 3pc Gas 1990-95		3.05	5.93	98$\frac{1}{32}$xd	—	98$\frac{1}{2}$	97¼
10¼pc 1995		9.96	8.73	102$\frac{31}{32}$	—	107$\frac{31}{32}$	102$\frac{15}{32}$
Treas 12¾pc 1995‡‡		12.03	7.11	106	—	113⅞	105$\frac{13}{32}$
14pc 1996		12.98	7.45	108$\frac{1}{16}$	-$\frac{1}{32}$	117$\frac{1}{16}$	108$\frac{1}{32}$
15¼pc 1996‡‡		13.72	7.72	111⅛	—	121$\frac{13}{32}$	111$\frac{1}{32}$
Exch 13¼pc 1996‡‡		12.25	7.81	108$\frac{5}{32}$	—	117$\frac{13}{32}$	108¼
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Treas 11¾pc 2001-4		10.37	9.28	110$\frac{13}{32}$			
Funding 3½pc 1999-4		4.93	7.82	71$\frac{1}{16}$			
Conversion 9½pc 2004		9.20	8.90	103¼xd			
Treas 6¾pc 2004‡‡		7.87	8.90	85$\frac{13}{32}$			
Conv 9½pc 2005		9.16	8.97	103½xd			
Treas 12½pc 2003-5		10.46	9.28	119½			
7¾pc 2006‡‡		8.46	8.90	91⅝			
8pc 2002-6‡‡		8.60	8.86	93$\frac{1}{32}$xd			
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
2pc '96	(67.9)	2.87	4.22	199$\frac{13}{32}$	—	203⅝	197$\frac{13}{32}$
4⅝pc '98‡‡	(135.6)	2.91	3.73	108$\frac{13}{32}$xd	—	113$\frac{1}{32}$	105$\frac{3}{32}$
2½pc '01	(78.3)	3.45	3.88	164$\frac{1}{32}$	-$\frac{1}{32}$	176⅞	163½
2½pc '03	(78.8)	3.56	3.91	160¼	—	173⅞	159$\frac{1}{32}$
4⅝pc '04‡‡	(135.6)	3.58	3.89	107$\frac{13}{32}$xd	—	118¾	107⅛
2pc '06	(69.5)	3.65	3.90	165$\frac{1}{32}$	—	184$\frac{13}{32}$	165$\frac{1}{32}$
2½pc '09	(78.8)	3.69	3.91	150$\frac{13}{32}$	—	166⅞	149⅛
2½pc '11	(74.6)	3.71	3.92	155⅛	—	175⅝	154⅛
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1994: 141.3 and for August 1994: 144.7.

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89¾	90	-⅛	8.16
Alberta Province 7⅞ 98	1000	100⅝	100⅞	+⅛	7.44
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100¾	100⅞		6.84
Volkswagen Intl Fin 7 03	1000	93¼	94½	+⅛	8.02
World Bank 0 15	2000	19½	20¼		8.00
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	89⅞	90¼		9.79
Alliance Leics 11⅛ 97 £	100	105¾	105⅞		8.93
British Land 8⅞ 23 £	150	88¼	88¾	-¼	10.65
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Inchcape warns on Japanese car sales

By Andrew Bolger

Inchcape, the international motors, marketing and services group, yesterday confirmed that the strength of the yen had hit sales of Japanese cars in Europe, but said all the rest of its operations were performing well.

Mr Charles Mackey, Inchcape's chief executive, said: "It has been very tough for the Japanese manufacturers – and might be for some time. But make no mistake, they will be back."

Mr Mackay said the Jepanese had moved their vehicles too far upmarket, seeking higher prices and offering more sophisticated equipment. This had cost them sales when recession struck, but they were now bringing in new models and cutting their production costs.

Tony Andrews

Sir David Plastow with Jade Ji, part of Inchcape China's management team in Beijing

Inchcape reported a 4 per cent drop in pre-tax profits, from £130.4m to £125.5m in the six months to June 30 on flat sales of £3.03bn.

Sir David Plastow, chairman, pointedly failed to repeat the optimism he expressed at the group's AGM in May that the full-year profits would exceed last year's level of £272m. Howsver, analysts were reassured hy the overall tone of the statement. The shares, which have fallen by a third this year, closed unchanged at 410p in e falling market.

Sir David described the results as a "satisfactory overall performance" - particularly since the previons period included a £10.6m profit contribution from e joint venture exporting Toyota vehicles to China, which had now ended. Exclnding this, underlying group profits grew 6 per cent, in spite of a £20.6m drop to £19.6m in the profits contribution from distribnting Japanese vehicles in Europe.

Inchcape eaid its Japanese motors businesses held up reasonably well outside Europe, and the contribution from the group's European and American marques around the world improved strongly. The retail motors operations were now benefiting not only from the rationalisation in the UK and continental Europe, but also from an upturn in the cycle in the UK. Operating profits from total motor activities fell 11 per cent to £81.8m.

The marketing stream increased operating profits by 20 per cent to £34.2m after e difficult 1993, although Japan continued to suffer from from recession.

All the services businesses performed strongly. Insurance – primarily Bain Clarkson – grew operating profits hy 31 per cent to £18.4m. Hogg Group, bought for £177m in April, contributed £1.1m after financing costs in its first month.

Testing services increased profits by 23 per cent to £9.8m, with the the petrochemicals businese benefiting from restructuring over the last two years. An upturn in mining exploration activity helped the minerals business.

Shipping services raised profits 26 per cent to £7.8m, with s particularly good performance from the North American and Middle East operations. The small buying bnsiness returned to profit.

Earnings per share fell by 7 per cent to 14.8p (15.9p), while the interim dividend rose by 3 per cent to 6p (5.8p).

See Lex

Eurotunnel share fall casts doubt on finances

By Simon Davies

Eurotunnel's share price fell 19p, or 7 per cent, to 250p yesterday, as reports of leaks in the Channel Tunnel added to the cballenge the company faces in avoiding a further refinancing, following its May £858m rights issue.

The salt water leaks were dismissed by the company as in line with the design, with the only problem coming from the silting up of parts of its secondary drainage system. Eurotunnel eaid it wonld canse no further delays to the etart of e paying passenger service.

More of a problem, however, is the impact the story could have on public perception of the tunnel, and the knock-oo effect of a low share price on anticipated capital from the conversion of warrants.

At the time of the rights issue, the company'e financing plan gave £473m of leeway. However this figure assumed thet about £180m would be raised from conversion of the 1993 warrants, expiring in October 1995. The warrants have a conversion price of marginally above 300p, making this source of capital far from certain.

In addition, the rights prospectus anticipated £137m of revenues for the current year, which assumed the commencement of the passenger shuttle service in October. Thie has been put back by six weeks until mid-November. This is likely to remove at least half the projected turnover from the passenger service for the current year.

Mr Richard Hannah, an analyst at UBS Securities, said: "The funding margin is looking very tight, and it looks like a third rescue rights issue could be in the offing during the next 12 months."

The company's banks separate projections indicated a funding margin of only £34m, excluding cash from the warrants. With £48m of income due to have come in from Le Shuttle in 1994, much of that margin will have disappeared through the delay in the customer service.

The company has a further £50m from a fall back loan facility from Morgan Grenfell and Warburg. It is also involved in arbitration over delay in the start up of the Eurostar Service and is claiming up to £400m, plus tariff increases.

Bass shares slip after statement

By Roderick Oram, Consumer Industries Editor

Shares in Bass slipped 17p to 523p yesterday after it delivered a cautious trading statement which indicated its breweries and pubs remained under intense competitive pressure.

The group's beer sales fell 0.8 per cent in volume terms in the first 48 weeks of this financial year while the UK market fell 1.2 per cent.

Brewers bed pulled back from the large trade discounts they were offering last year and in this first half, but there was "still a knock on effect" in pricing overall, said Mr Ian Prosser, chairman.

Bass's gross profit margins on beer were slightly lower in the second half than the first, although this reflected in part an 11 per cent reduction in the number of pubs in Bass Tavern's estate.

Oo e like-for-like basis, pubs managed by Bass reported a 3 per cent rise in takings within which food revenues were up 8 per cent, indicating e decline in drink eales. Mr Prosser declined to give e figure for the decline in beer volume sales in Bass pubs but said the group "had done better than the market" which was down about 5 per cent.

Off-licence beer sales were up 6.4 per cent.

Bass's otber ectlvities showed progress in the year to date with Britvic, tbe soft drinks business, benefiting from the UK's hot summer. Its volumes were up 9 per cent in the first 48 weeks after being ahead only 3 per cent et the half year.

Holiday Inns reported e rise in occupancy and room rates in the Americas. in Europe, a slight deline in room rates was offset by higher occupancy.

Bingo clubs reported a 5 per cent increase in spending per beed. Betting shop turnover was up 4.3 per cent and the sverage stake was 2.3 per cent higher.

Bass enjoyed a strong cash inflow in the second half after an outflow in the first half. Bass Brewers, for example, was cash positive and is expected to remain so for "the foreseeable future."

See Lex

Hodder Headline jumps to £2.05m

By Raymond Snoddy

Hodder Headline yesterday announced a large profits rise in its first interim figures to include results of Hodder & Stoughton acquired last year.

Sales quadrupled to £33.4m (£8.3m) and pre-tax profit more than trebled to £2.05m in the first six months of 1994, against £570,000 last time.

The results were accompanied by the announcement that Mr Tim Hely Hutchinson, chief executive, had decided to leave the net book agreement that sets minimum prices for most books in the UK. From Christmas booksellers will be free to disconnt Hodder Headline titles if they want to do so.

Mr Hely Hutchinson said the results "look particnlarly strong viewed with the background of flat UK trading conditions and the very substantial reorganisation we have been completing."

The company said the post-merger reorganisation was now largely complete and Hodder, which plans to pnblish more than 2,000 titles in 1995 compared with 1,700 this year, is looking for expansion and acquisitions thet will enhance earnings.

The company is interested in increasing the size of its reference, schools and childrens' publishing operations.

If the company is unable to make a significant acquisition in tbe next year, Mr Hely Hntchinson said yesterday: "I think I would be very disappointed."

Earnings per share rose by 41 per cent to 3.8p (2.7p) and the interim divideud increased to 2p (1.65p).

Mr Hely Hutchinson said he looked forward to a "good second half" and analysts are expecting pre-tax profits of about £8m for the full year.

Lord Dononghmore, Hodder's chairman and Mr Hely Hutchinson's fether, also revealed thet from May it had ceased to recognlse trade unions.

"The board does not believe trade unions have a useful role to play in the group," Lord Donoughmore said.

Cornwell Parker declines to £3.15m

By Peter Pearse

Weaker furniture sales helped leed to e decline in pre-tax profits at Cornwell Parker, the furniture and fabrics group best known for its Perker Knoll chairs. In the year to July 31 profits fell from £4.61m to £3.15m.

However, Mr Martin Jourdan, chairman, said group trading profits in the second half wers "significantly higher" than in the first. However, year on year, they fell to £4.33m (£5.08m).

There was a £705,000 (nil) charge relating to further reorganisation of Fardis, the French fabrics business.

Mr Jourdan said that tax increases earlier in the year had "not obviously damaged demand". While ha acknowledged that the recession was over, he stressed that the feel-good factor was "not yet with us. The middle classes are just not buying."

Operating profits of £3.66m (£5.21m) took in losses of £36,000 from Minty Design Furniture, egainst losses of £133,000 from Lock, the now closed importer of antique furniture from Romania.

Group turnover was flat at £89.9m (£89.2m) inclnding £598,000 from Minty (£1.18m from Lock).

Trading profits in the furniture division emerged at £2.1m (£3.6m) on sales lower at £48.4m (£50.6m).

Retail sales fell at Parker Knoll in spite of new product launches.

The fabrics division lifted profits by £676,000 to £2.2m on sales up 7.5 per cent et £41.5m. About one third of those sales were exported and the proportion is expected to rise.

The final dividend le unchanged at 4p for a maintained total of 5.7p, which is uncovered by earnings of 4.6p (7.3p) per share. However, Mr Jourdan said the payout was covered by the trading profit after tax, while the Fardis restructuring costs would come in part from reserves.

Close Brothers 86% ahead to £33m

By Nicholas Denton

Close Brothers, the fifth largest quoted UK merchant bank has sustained its record of profit growth, and for the year to July 31 announced pre-tax profits ahead from £17.82m to £33.06m.

The 86 per cent advance was achieved on operating income of £76.9m (£53.1m), up 45 per cent.

The half-year results had exceeded market expectations but the full-year figures diverged only marginally from analysts' forecasts and the share price closed unchanged et 215p.

Earnings were diluted by the £17m share issue made by Close Brothers to finance the acquisition last year of Winterflood Securities, the market maker in the shares of smaller companies.

Earnings per share increased by 61 per cent from 13.7p to 22.1p.

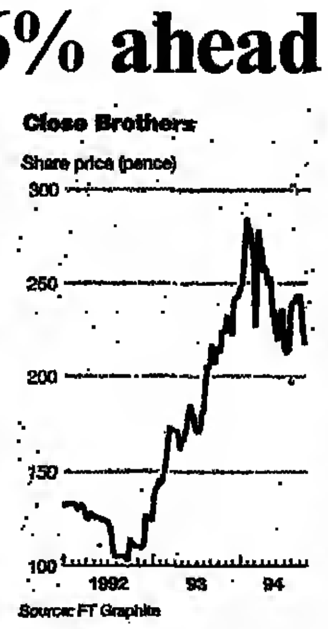
Winterfloods, traditional merchant banking and asset financing contribnted in roughly equal measure to total profits.

Subtracting the impact of the acquisition of Winterfloods, Close Brothers' other activities showed an increase in profit contribution of about 50 per cent.

This figure too was flattered by a fall in provisioning for bad and doubtful debts from £7.74m to £4.85m. Stripping out this line, underlying and organic profits growth at Close Brothers was about 27 per cent, according to one analyst.

The proposed final dividend of 5p (3.9p adjusted) lifts the total from an adjusted 5.5p to 7.5p.

Total assets at the year-end had improved by 24 per cent to £715m (£575m).



● COMMENT

Close Brothers is a victim of its own success. The firm's results cannot rebound because they never fell; the company yesterday reported its 19th consecutive year of profits growth. The reduction in provisioning has gone about as far as it can. Further improvement in results has to be achieved on top of a high base. Winterflood Securities may have had a record year but analysts judge it is past its peak and will prove a drag on profits growth in the current year. Nor does Close Brothers have the steady fee income that other larger firms have through their fund management arms. That said, Close Brothers' record is not one to sniff at: consistent profits growth; the lowest cost-income ratio in the merchant bank sector; and the highest return on equity. Merchant banking and asset finance are well-placed to benefit from the economic recovery in which Close Brothers say their clients are clearly sharing. Analysts' forecasts of roughly etable profits of £42m-£44m give a prospective p/e of ebout 10. Its small discount to the sector'e 10.3 rates a tentative huy.

Acquisitions boost for Allied London

By Christopher Price

A series of acquisitions over the past year boosted annual results at Allied London Properties, which yesterday posted pre-tax profits 56 per cent ahead et £10.6m, against £6.8m last time.

But net asset value per share of 110p (85p) came in below market expectations and contributed to an 8p fall in the shares to 100p.

The results for the year to June 30 confirmed the first half trend and yesterday Sir Geoffrey Leigh, chairman, said that the outlook remained "very fevourable" for both capital values and the rental market.

The 12 per cent rise in rental income to £21.94m (£19.52m) was derived substantially from the group'e £52m worth of acquisitions.

These included an £11.3m portfolio in Glasgow for its newly established Scottish subsidiary. A further five properties have been bought in the region since the year-end at a cost of just over £9m.

The company elso spent £34.35m on six properties from Provident Mutual, which in return paid £21.6m on e portfolio of Allied's retail portfolio. Sir Geoffrey said the balance of £12.75m had produced e net annual rent of £1.8m.

There were also big investments in properties in Leeds and Basingstoke.

Pelham Homes, the former Rosehaugh subeidiary, was bought from the receiver for £3m, which brought with it a substantial land bank in the south-east.

The year-end valuation on the group's portfolio was 6.7 per cent higher et £220m than the previous year. Offices comprised 52 per cent of the properties, followed by business parks, light industrial and warehouses at 39 per cent and retail 9 per cent.

A final dividend of 2.7p is to be paid, making a total of 3.88p (3.53p).

Camas makes $15.1m purchase in US

Camas, the building materials group demerged from English China Clays in June, is paying $15.1m (£9.5m) for the majority assets of C&M Ready Mix Concrete of Boulder, Colorado.

The assets comprise about 12m tons of proven aggregate reserves, which are situated nortb-east of Denver, five ready mixed plants and a fleet of concrete delivery trucks. In addition, Camas will receive $3m of income from trade contracts already undertaken.

Mr Cbristopher Bailey, Camas finance director, said the deal would probably push the group into first position in the Denver ready mix market ahead of Redland.

C&M reported operating profits of $1.5m in 1993.

Sales training behind Refuge Assurance fall

By Alison Smith

Training and testing its 2,100 sales egents contributed to sharp falls in both regular and eingle premium business et Refuge Assurance, the life insurance group, in the first six months of this year.

New regular premium life, annuity and pensions business fell hy 31 per cent to £13m (£18.8m), while single premium new husiness fell 24 per cent to £18.7m (£24.7m).

Mr Tom Bootb, chairman, said about half the drop in new business could be ettributed to sales foregone as e result of the extra effort spent on training and testing, while about half reflected trends within the life insurance sector es a whole.

There was a particularly marked fall in regular premium new business on the industrial side - where a sales egent calls once every two weeks or so at the home of e customer to collect what are often relatively small amounts. It dropped from £10.1m to £5.2m.

Refuge said it was raising its interim dividend to 3.7p (3.45p).The cost of the dividend is £5.81m. Like other life insurance companiee, it ie not required to release interim profits figures.

There were encouraging signs in the group's general insurance underwriting – where more favourable claims experience helped turn a pre-tax loss of £1m into a pre-tax profit of £156,000 – and in unit trust ealee which rose to £10.8m (£4.6m).

Mr Booth said thet though the training exercise had restricted sales in the first half, there were signs of an improving trend.

Against a background of a reduction in the number of sales agents in the life industry, he added thet Refuge envisaged its sales force remaining at its current size.

Sycamore director leaves

By Caroline Southey

Sycamore Holdinge, the loss-making laboratory, office, and garden furniture group, yesterday announced the resignation of Mr Adam Kingdon, its operations director.

In July the company announced the resignation of non-executive director Mr Michael Hunton. Three days later Sycamore warned of substantial write-offs for the financial year and said its bankers were reviewing the level of financing facilities in light of the expected provisions.

In Angust Sycamore announced pre-tax losses for the six months to 31 March of £1.84m, against losses of £6.85m; turnover was £9.71m (£10.16m). Operating losses stood at £609,000 (£4.69m).

Sycamore has been in discussions with its bankers eince last year, when the value of net assets fell to less than half its called up share capital.

Mr Kingdon joined Sycamore in April 1993.

Sycamore's shares closed unchanged at ½p yesterday.

Hanson makes three US disposals for £40m

By Caroline Southey

Hanson Industries, the US arm of Hanson, announced the completion of three asset sales for £40m, which will realise a pre-tax gain of ebout £8m.

"These latest disposals are part of the general process of tidying up Hanson's portfolio," said Mr Christopher Collins, director of corporate development.

The disposals fit in with Hanson's strategy of reducing debt through disposals and flotations while expanding its core husinesses. In the financial year that ends on Friday Hanson has sold assets worth more than £950m on both sides of the Atlantic.

These included the flotation of its Beazer housebuilding operations, the sale of 11 UK companies to management buy-out teams backed by Electra, the venture capital group, and the sales of Axelson oil industry equipment group and Hanson Office Products contract stationery business.

The latest disposals in the US include International Mini Warehouse Associates, which was part of the Kidde acquisition in 1987 and owns nine warehouses in New Jersey and Connecticut.

Proctor & Schwartz, part of the SCM Corporation acquired hy Hanson in 1986, which designs and manufactures industrial drying and heat setting machines for the food, tobacco, textile and chemical industries, has also been sold.

Hanson also announced the sale of 100,000 acres of land, including surface and mineral rights, which it acquired with the purchase of Beazer in 1991.

The assets sold generated operating profits of £2.3m in the year to September 30 1993 on turnover of £38m.

Enterprise Computer in red

By Alan Cane

Enterprise Computer Holdings suffered a slide in turnover from £58.2m to £16.4m in the year ended March 31, after a series of disappointments left the Berkshire-based computing services group in the red again.

In a note to the full-year financial statements, the auditors observe there is a fundamental uncertainty over whether the company'e bankers will renew facilities and so ensure thet the group and its subsidiaries "will continue in operstional existence". The euditors, Stoy Hayward, have not qualified the accounts because of this, however.

Tbe group made sligbtly higher opereting profits of £4.9m, but interest charges and rent resulted in a loss after tax of £1.96m (£5.75m). Loss per share was cut to 2.6p (7.4p). No dividend is being paid.

Enterprise has been changing market position from a seller of eecondband mainframe computers to more broadly based computing services but Mr John Small, chairman, said the process was taking longer than expected.

Automotive Products drops into £4.7m loss

By Tim Burt

Automotive Prodncts, the motor components subeidiary of BBA, yesterday reported s first-half loss following the parent company'e decision to settle a long-running patent infringement case for £13.1m.

The company, which traditionally issues e separate results statement to BBA, made pre-tax losses of £4.7m in the six months to June 30, against profits of £5.7m.

The figures were undermined by the payment earlier this year of $18.4m (£11.9m) to Tilton Engineering, the US company which sued Automotive Products for manufacturing carbon racing clutches on which it held patents.

Operating profits, meanwhile, were unchanged at £9.5m on flat turnover of £121.2m (£119m).

Mr Peter Clappison, finance director of BBA, said the sluggish figures disguised a general improvement in trading conditions and the success of cost-cutting measures.

Although he highlighted 230 job cuts et the subsidiary, he made no mention of the departure of Mr Peter Crawford, chief executive of the automotive business, who left in July following a disagreement with Mr Roberto Quarta, BBA chief executive.

Go-Ahead above forecast at £2.86m

The Go-Ahead Group turned in pre-tax profits of £2.86m for the year to July 2, which was 25 per cent higher than its proepectus forecast. This compared with e previous £315,000.

Turnover rose from £49.3m to £61.4m, hecause of the impact of acquisitions in Brighton and Oxford. Operating profit rose from £521,000 to £3.47m, with £718,000 coming from the newly-acquired businesses.

Earnings per share were much higher at 8.2p (1.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbott Mead ....int	4.5	Oct 91	3.2	-	10.5
Allied Lond Prop ....fin	2.7	Jan 3	2.455	3.88	3.53
Atreus ....fin	0.486	Jan 4	-	0.75	-
Billam (J) ....int	2.2	Oct 31	2.2	-	5.3
Clarke Nickolls ....int	0.1	-	nil	-	nil
Close Brothers ....fin	5	Oct 28	3.9*	7.5	5.5*
Community Hosp x........fin	5.1	Nov 30	4.5	7.8	6.9
Cornwell Parker ....fin	4	Nov 3	4	5.7	5.7
Hodder Headline ....int	2	Oct 28	1.65	-	5
How ....int	0.375	Nov 30	0.375	-	0.75
HTV ....int	0.75	Nov 11	nil	-	1
Inchcape ....int	6	Jan 3	5.8	-	14.6
Klearfold ....int	1♥‡	Nov 21	nil	-	3
Lyles (S) ....fin	2.5	Jan 3	1.75	3.5	3.3
Metalrax ....int	1	Oct 26	0.81*	-	3.64*
Northern Leisure........fin	2	Dec 2	nil	2	nil
Redrow ....fin	1.8	Nov 10	-	1.8	-
Refuge ....int	3.7	Dec 8	3.45*	-	11.35*
T&S Stores ....int	2.8	Nov 25	2.5	-	6.1
United Inds ....int	0.1	Nov 22	nil	-	nil

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ♥US currency. ‡Gross.

COMPANY NEWS: UK

Community Hospitals lifts annual pre-tax profits by 26%

Director quits after failed coup

By Tim Burt

Community Hospitals Group, the private medical care company, yesterday said one of its senior directors had left the group following a failed boardroom coup.

Mr Oliver Prentice, managing director of the company's continuing care division, resigned earlier this month after the board rejected his bid to oust Mr Alan Dexter as chief executive.

Although the company released few details of the dispute, it admitted there had been a clash of personalities between Mr Dexter, who led the group to flotation in 1989, and Mr Prentice, widely credited with building its nursing homes business.

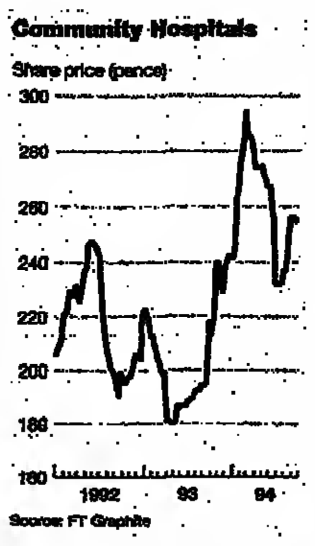
"I knew Oliver had aspirations to become chief executive, but this was a surprise move," said Mr David Croker, finance director. "He asked the board to make a choice, and when they backed Alan he had no alternative but to leave."

Mr Dexter claimed there was no strategic argument with Mr Prentice, who is negotiating a compensation package based on his two-year rolling contract and £77,000 annual salary.

City analysts, however, euggested that Mr Prentice might have quit because he feared that plans to invest up to £2.5m on enlarging the group's Duchy Hospital in Cornwall would divert funds from nursing home development.

The continuing care division, comprising 13 nursing homes, homecare services and sheltered accommodation, helped lift pre-tax profits by 26 per cent to £7.7m (£6.1m) in the year to June 30.

Although the division saw profits increase by more than a third to £2.35m (£1.76m), its contribution was overshadowed by £8m (£6.2m) from the hospital division.



Together, the two sectors underpinned a 26 per cent increase in operating profits from £7.96m to £9.99m on increased turnover of £57.6m (£49.4m).

Tha improvement was helped by growth in private medical insurance and maiden contributions from three new nursing homes and a new hospital in Colchester, which opened in January.

Mr Dexter said the group planned to consolidate operations at its 10 hospitals and gradually win greater market share for the continuing care business.

Earnings per share rose from 14.3p to 17.2p and an increased final dividend of 7.9p (6.9p) has been proposed.

While welcoming the results, analysts left profit forecasts for this year unchanged at about £8.7m, putting tha shares, up 1p at 256p yesterday, on a forward multiple of 13.8.

Wellcome ends cancer drug trials

By Daniel Green

Wellcome has abandoned research on one of its more promising drugs intended for use in cancer and organ transplants.

Campath 1-H, licensed from British Technology Group, was set for launch in 1997 and had potential sales of $250m (£158m) a year, according to Lehman Brothers, the stockbroker.

Wellcome said data from the latest clinical trials showed only low or moderate efficacy and therefore "this compound is not likely to have adequate commercial potential".

The drug had reached phase two of human clinical trials, a relatively late stage in the expensive davelopment process for a drug to be recognised as a failure. Wellcome had been conducting trials with it since 1991.

The areas of study were in cancers including non-Hodgkin's lymphoma and in advanced rheumatoid arthritis, a condition caused by the failure of the immune system.

£100m interest gloom for Brent Walker

By David Blackwell

Interest payments of more than £100m overshadowed an improvement in interim operating profits at Brent Walker, the bookmaking and public house group laden with £1.4bn of bank debt.

The group, which is also losing Sir Keith Bright as chairman, warned that turnover in its core business had shown "little sign of an upturn, leaving the results potentially vulnerable to competitor activity and the economic climata, especially in the short term."

Operating profits increased from £27.4m to £35.2m for the six months to June 30, while turnover edged ahead from £858.9m to £867.9m.

But after exceptionals and payment of net interest at £103.6m (£98.1m) the loss amounted to £73.5m, compared with a previous loss of £83.3m. The deficit in shareholders' funds widened from £629.8m to £877m.

A £10m cost incurred by breaking previons finance arrangements at the William Hill betting chain is believed to be the main reason why the latest interest payment is higher than for first half 1993. The group will pay only £20m of the interest total in cash, with most of the rest converted into preference shares.

Sir Keith joined the group in January last year in order to oversee the reorganisation of its finances, including the refinancing last March of a £325m loan at William Hill. He feels that he has completed the work he originally undertook, and now "wishes to follow other interests."

He will be replaced by Sir Brian Goswell, already a non-executive director, and a senior partner in Healey & Baker, estate agents and surveyors.

Operating profits at William Hill, now the main engine of the group, improved from £24.2m to £30.8m on turnover of £806.8m (£791.4m). The group described its retention of market share as "encouraging" ahead of the National Lottery launch in November.

However, "the most significant event" was the refinancing that had enabled the chain to stay within the group. Mr John Leach, finance director, said yesterday that flotation was an option for William Hill, "but not necessarily the only one".

Brent Walker is claiming £200m in a dispute with Grand Metropolitan over the purchase of the chain, which is in the balance sheet at £697.2m. A valuation of the assets at the end of last year showed it was worth £486.1m.

The Pubmaster chain of public houses reported increased operating profits of £5.77m (£5.14m) on turnover of £46.1m (£46.9m).

Operating profits at the "other businesses division" – which includes the Cardiff International Arena and Brighton Marina – fall to £1.77m (£2.11m) on turnover of £15m (£18.8m).

The loss per share was 20.83p (24.32p). There is no dividend on either ordinary or preference shares.

Metalrax advances to £4.11m

By Andrew Bolger

Metalrax Group, the precision components, houseware and storage equipment group, increased pre-tax profits by 15 per cent from £3.68m to £4.11m in the six months to June 30, on sales which rose by 17 per cent to £38.88m.

Mr John Wardle, chairman, said only a very small proportion of the profits rise was due to acquisitions, of which the full benefit would be seen next year and thereafter.

Mr Wardle said: "Despite conflicting evidence as to the strength of the apparent recovery and the dubious optimism very naturally shown by official pronouncements, life continues to be very difficult at the sharp end of manufacturing industry.

"It is only because of the very heavy investment in technology over the last five years that we have managed to mitigate the intense pressures on margins that have increased rather than relaxed."

Earnings per share grew by 15 per cent to 3p (2.6p). The interim dividend rose by 10 per cent to 1p (adjusted 0.91p).

Redrow's 45% advance confirms housing recovery

By Christopher Price

The continuing recovery among UK housebuilders was confirmed yesterday when Redrow Group, which came to the market earlier this year, reported annual pre-tax profits 45 per cent ahead at £19.2m, against £13.2m.

However, Mr Steve Morgan, chairman, said it was too early to forecast a sustained recovery. "Trading conditions are fairly neutral at the moment. The house price rises we saw earlier in the year have subsided, but so too have some of the inflationary cost pressures."

Turnover increased 45 per cent to £188.3m (£129.6m), including £2.8m (£3m) from discontinued activities. Earnings per share rose from 5.1p to 8p. An initial dividend of 1.8p is proposed.

The pre-tax figure was struck after a £3.1m (£600,000) charge for the leisure division, which was sold to Mr Morgan prior to flotation, and a £1m investment profit.

The number of completed homes rose 61 per cent to 2,038, which included a first contribution of 451 from the group's new south east of England division, the former Costain Homes business, bought in July 1993. The purchase marked the company's return to the south east. Mr Morgan said the region remained a priority for expansion, as witnessed by the recent purchase of Gudgeon Homes for £4.6m.

He added that the company was also considering a move into Scotland, the only area of the UK where it had no presence.

First-time buyer incentives, particularly in the south east, meant the average house price declined from £88,000 to £82,400. However, Mr Morgan said that he expected prices to recover this year, although it was too early to make a firm prediction.

On turnover of £168m (£111m) the home division reported operating profits of £22.3m (£13.3m).

The land bank rose from 5,000 to 7,100 plots, which was 79 per cent higher in value terms at £89.7m. Although land prices had risen during the year, the company had managed to secure most of its purchases at below market prices.

Turnover in the construction business rose 48 per cent to £15.8m, although operating profits halved to £100,000 and the operating margin fell from 1.9 per cent to 0.6 per cent.

With trading conditions continuing to be tough, the company was taking steps to rationalise the division.

● COMMENT

Good first year results from Redrow come at a time when many investors, with an eye on higher interest rate expectations, are reducing their weighting in the construction and builders sectors. Forecasts for the current year have been shaved back to about £28m, giving an earnings of 9.8p and a p/e of about 13. This is slightly ahead of the market and a 10 per cent premium to the sector and higher than the likes of Bryant and Wilson Bowden, both of which have track records.

Discounting helps T&S to £7m

By Peter Pearse

T&S Stores, the confectionery, tobacco and news retailer and convenience store operator, lifted pre-tax profits by 3 per cent from £6.79m to £7.02m in the 26 weeks to July 2.

Operating profits, before losses from business disposals of £212,000 (£88,000 profit) grew more strongly. They showed an 11 per cent increase to £7.62m (£6.85m).

Turnover was 17 per cent ahead at £201m (£171m).

The shares edged up 2p to close at 182p.

Mr Kevin Threlfall, chairman, said he was "happy" with the results. They were achieved in a mature market and in spite of declines in cigarette volumes.

He said that although the UK confectionery market was up 2 per cent over last time, the grocery market was "flat or slightly down", and the news market was down in the wake of the price war in newspapers and magazines.

Kevin Threlfall: happy with results achieved in a mature market

In February the group bought the 74-store Gibbs Newsagents chain for £7.1m including expenses and in March it acquired 23 Macs convenience stores for a total of £6m.

These contributed £399,000 to profits and £10.7m to turnover.

By division, Supercigs, the core high-street "deep discounter" chain, raised profits 22 per cent to £2.96m on turnover up 5 per cent at £87m.

The rise was fuelled by multi-buy discounts and discounts on everything in the stores – even news in 125 of the 217 stores.

Average branch profits rose 18 per cent.

Profits in the 336-strong CTNs chain advanced by 20 per cent to £3.97m, mostly as a result of the Gibbs acquisition. Turnover grew 24 per cent to £63.3m, with like-for-like sales edging up 3 per cent.

The C stores format showed the strongest organic gains.

Here, profits rose by 26 per cent to £3m with only a small contribution from Macs. Turnover was 36 per cent ahead at £50.7m. Like for like sales rose 9 per cent. Ten extra stores were opened.

The interim goes up to 2.6p (2.5p), payable from earnings of 7.27p (7.06p) per share.

COMPANY NOTICES

COMPANY NEWS: UK

New team signals intention to expand in continental Europe

Hammerson rises to £24.5m

By Simon London, Property Correspondent

Hammerson, the property company which came under new management last year, yesterday reported interim pre-tax profits of £24.5m, against £15.2m, and signalled its intention to expand in continental Europe.

Mr Ron Spinney, chief executive, said that the company was considering a number of opportunities to buy retail property in France. He added that any deal would not depend on the outcome of negotiations which might lead to the sale of Hammerson's £176m Australian portfolio.

"If we can sell [the Australian assets] at a price which adequately reflects likely increase in values over the next couple of years we will do so," said Mr Spinney.

During the first half, Hammerson spent £25m acquiring 99 Bishopsgate – the City of London office block bombed by the IRA last year – and £143m buying a portfolio of retail and office properties from Postel. In July, after the half-year end, it spent £75m on three Canadian shopping centres.

Bishopsgate is being refurbished and may be expanded to more than 300,000 sq ft, an operation which the company expects to complete by the end of 1995.

Including the Canadian deal, Hammerson's gearing is about 64 per cent, little changed from the end of the last full year.

Mr Spinney said that he would be happy to see gearing rise modestly, given the likely improvement in overseas property markets.

Net rental income was £57.9m in the first six months of the year, compared with £59.8m. Acquisitions partially compensated for lost rental income following the disposal of Woolgate House in the City a year ago.

Interest costs fell to £27m, from £38.3m, reflecting the impact of last year's £199m rights issue and lower interest rates on foreign currency borrowings. Administration expenses were £6.9m (£7.8m).

Adjusted earnings per share were 6.5p (5.5p) and the interim dividend is unchanged at 3.5p.

● COMMENT

Mr Ron Spinney has made good progress reshaping Hammerson's empire since he took over as chief executive last year. If he can achieve a decent price for the company's Australian assets and deliver an attractive deal in France his reputation will be further enhanced. The overall strategy of increasing Hammerson's exposure to stable retail property and concentrating on markets where it has critical mass makes perfect sense. The snag is that much of the good news is already in the share price. At yesterday's close of 323p, the shares are on a discount of 14 per cent to analysts' forecasts for year-end net assets. The average discount for the sector is closer to 18 per cent. Moreover, likely earnings per share of about 12p for the full year would leave little room to increase the 10.5p dividend.

Confidence at AMV after 58% advance

By Diane Summers, Marketing Correspondent

Abbott Mead Vickers, the advertising group, yesterday reported a 58 per cent increase in pre-tax profits to £2.38m for the half year to June 30, against £1.5m.

Mr David Abbott, chairman, said the increase represented a "step-change" in profitability. Last year's new business wins and increased spending by existing clients had begun to show significant benefits to the company, he said.

He described the outlook as the brightest for many years, and predicted that underlying client spending would continue to increase.

Turnover increased 14 per cent to £108.1m (£94.4m). Earnings per share jumped from 5.71p to 9.16p.

A rise in the interim dividend to 4.5p (3.2p) reflected increasing confidence in the sustainability of the company's performance, as well as the strength of its cash position, said Mr Abbott. The board is also proposing a 1-for-1 scrip issue.

Annualised new business gains during the first half totalled more than £100m, a record for the group, including work for British Telecommunications and Motorola.

In July, the group announced it had bought Redwood Publishing, the contract publisher, for an initial cash payment of £2.85m. Mr Abbott said second half figures would reflect contributions from the acquisition.

The shares gained 11p to close at 684p.

Flextech obtains part in original cable drama

By Raymond Snoddy

Flextech, the oil services company which became a media group, yesterday announced what it believes is the largest co-production deal to make original programmes for cable and satellite channels.

The deal with Hallmark Entertainment of the US could involve total spending of up to $140m (£89m).

The agreement covers the making of 30 feature-length original dramas in the UK or other parts of the EU over the next two years. The deal also covers eight original animated features and four original animated series of up to 26 episodes each.

"It's a huge deal," Mr Roger Luard, chief executive of Flextech said yesterday. Flextech, which holds 20 per cent of HTV and is controlled by TCI of Denver, the largest US cable operator, manages or has interests in 11 cable and satellite channels including The Children's Channel, The Family Channel, UK Gold and Bravo, which at the moment mainly shows old films.

The new dramas would probably be shown on either The Family Channel or on Bravo.

Hallmark makes network movies and mini-series, including Lonesome Dove and Scarlett, the sequel to Gone with the Wind, and has won 102 Emmy awards.

Flextech is believed to be paying considerably less than one third of the total budget for the UK, Benelux and Scandinavian rights and Eastern hemisphere rights for the animated programmes.

Mr Luard said Flextech was determined to build up a library of programme rights as part of its business.

In a separate agreement with Hallmark, Flextech will acquire UK rights to all the US company's productions for two years with an option for a third year. This will cover a minimum of 125 hours of programming a year.

Mr Adam Singer, vice president international of TCI, said: "This is the first step in fulfilling cable television's promise that it would supply quality British television drama the equal of anything currently made in the UK."

Girolami paid £1.5m in final year as Glaxo chairman

By Daniel Green

Sir Paul Girolami received almost £1.5m in pay in his final year as chairman of Glaxo, Europe's biggest drug company, £46,000 higher than in 1992, according to the company's annual report.

His salary and other benefits were £1.05m, compared with £1.03m. He also earned a performance-related supplement of £436,000 (£410,000).

The company increased its contributions to his pension schemes from £487,000 to £696,000.

Sir Paul stepped down as chairman at the end of the company's financial year on June 30, having worked at Glaxo for 29 years.

The annual report also shows that Mr Arthur Pappas, who was the director responsible for Canada and Latin America until his departure in February 1994 over "differences in management approach and style", is likely to receive more than $2m in a contract termination payment, salary and other benefits, over three years.

The salary of the second highest paid director was £930,000 last year, compared with £1.32m the year before.

The report shows that "payments for termination of executive office" amounted to £1.04m with another £1.09m paid to former directors in performance-related pay and pension contributions. Most of this was payable to former chief executive, Dr Ernest Mario.

UCM climbs 35% to £1.1m

Universal Ceramic Materials, the manufacturer of refractory and heating element products, yesterday announced a 35 per cent increase in first half 1994 pre-tax profits from £837,000 to £1.13m, in its first set of results as a quoted company.

UCM showed a 4 per cent increase in sales to £14.2m (£13.6m). The sharper rise in profits was fuelled by the decision to turn down high volume, but lower margin business in countries such as Mexico, Spain and France.

Mr Bob Hughes, chief executive, said pricing competition continued to be fierce. However, the outlook was encouraging with a competitor set to withdraw from the industry by the end of the year.

There was no dividend. Earnings advanced by 14 per cent to 4.1p (3.6p).

Growth in advertising helps lift HTV by 75% to £2.8m

By Raymond Snoddy

With the help of Budgie the Little Helicopter, cost reductions and growth in advertising revenue, HTV turned in a 75 per cent increase in pre-tax profits for the six months to end June, up from £1.61m to £2.8m.

Trading performance at the ITV company for Wales and the west was even stronger because the 1993 half year pre-tax figure included a £1.8m property gain.

"This half year's figures represent a sustained and significant improvement in the company's performance," said Mr Louis Sherwood, HTV chairman.

Turnover on continuing operations was slightly down at £57.3m (£57.5m).

Profits from television activities rose sharply to £3.3m (£1m).

Earnings per share were ahead at 2.7p (2.3p) taken after property sales.

The company has restored an interim dividend of 0.75p against a single final of 1p last year.

HTV has finally disposed of its last three non-media subsidiaries, including the loss-making fine art business.

The company increased its advertising revenue by 11 per cent to £45.3m (£40.7m), ahead of the ITV average of 7 per cent growth.

The outlook for the company was significantly improved by Flextech's purchase in March of 20 per cent in the company for £27m. This reduced borrowing to £1.53m (£27.9m).

The connection with Flextech, which owns or manages a range of cable and satellite channels, has also led to new media deals for HTV.

Contracts are already in place for 1,250 hours of new programming for cable and satellite. HTV is now producing nearly 3,000 hours a year, one of the largest programmes producers in volume in the UK.

A significant contribution is promised from the cable and satellite channels from next year.

NEWS DIGEST

J Billam tumbles to £34,000

Shares in J Billam tumbled 10p to 134p yesterday after the Sheffield-based engineer reported a decline in pre-tax profits from £271,000 to £34,000 for the first half of 1994. Turnover on continuing operations fell from £3.46m to £3.08m.

Restructuring the ASME subsidiary led to reorganisation costs of £68,000 this time. However, Mr Stephen Ingram, chairman, said the benefits should now begin to appear in trading results. He believed that the downturn had now been arrested.

Earnings per share were 10p lower at 1.4p, but the interim dividend was held at 2.2p.

How Group interim losses reduced

How Group, the engineering concern, cut pre-tax losses by 23 per cent to £1.12m in the first half of 1994, against £1.45m last time which included £488,000 related to discontinued activities.

Turnover was £58.4m (£70.5m), which Mr Peter How, chairman, said was because of the normal time-lag of converting construction orders into work-in-progress. A marked increase was evident in work being undertaken and turnover for the year was expected to be similar to 1993.

Mr How said that "generally, there is a renewed feeling of optimism, which I do not believe to be misplaced. . . . Competition, though still fierce, is becoming a little more realistic as the volume of enquiries rises."

Losses per share came to 2.69p (2.64p), but the interim dividend is again 0.375p.

Northern Leisure up sharply to £2.54m

Northern Leisure, the discotheque, ten-pin bowling and amusement park concern, announced pre-tax profits sharply up from £663,000 to £2.54m in the year to August 31 1994.

Turnover slipped to £22.7m (£23.2m). It included £980,000 (£2.23m) from discontinued operations.

Trading since May, when the company underwent a refinancing, had been "very satisfactory", the directors said. Accordingly, the company is resuming dividend payments with a proposed 2p final, the first payment since 1990.

It hopes to pay an interim next year of not less than 1p. Earnings per share were 7.7p (2.3p).

Newarthill cuts first half loss to £1.36m

Newarthill, the holding company for Sir Robert McAlpine, the civil engineer, announced a reduced pre-tax loss for the six months to end April, down from £4.19m to £1.36m.

Turnover was ahead at £116m (£94m), but the higher activity level was not accompanied by any significant improvement in margins.

Losses per share were down at 13.5p (33.7p).

The results for the full year are expected to show a profit.

Banner Homes to raise £2.9m

Banner Homes Group is raising about £2.9m net through an issue to Throgmorton Preferred Income Trust of 3m preference shares at £1 each. The shares will carry warrants to subscribe for 520,231 ordinary Banner shares at 173p each between October 22 1995 and July 31 2001 against a mid-market share price on September 23 of 142p.

The proceeds will be used to increase Banner's land buying and housebuilding activities.

COMMODITIES AND AGRICULTURE

Swedish group lifts newsprint prices 20%

By Alison Maitland

Stora of Sweden, Europe's biggest pulp and paper group, will raise prices of newsprint by 20 per cent next year following sharp increases in pulp prices and a recovery in European demand for paper.

Mr Lars-Ake Helgesson, president and chief executive officer, told analysts in London that the company had achieved an increase of only 3 per cent this year. Even after a further 20 per cent increase, "there will still be some way to go to reach the level of the late 1980s," he said.

Newsprint prices have lagged behind increases for pulp and other types of paper because negotiations with customers take place only once a year. Mr Helgesson said prices had fallen by about 30 per cent during the severe cyclical downturn from which the industry has been rebounding this year.

The Stora increase is in line with that proposed by other Nordic paper groups.

Mr Helgesson declined to say whether Stora would increase pulp prices again, after a series of rises that lifted prices by 80 per cent to $700 a tonne this year.

But he said the fact that spot prices for pulp were higher than "regular" prices pointed to the likelihood of further increases. Spot prices were consistently lower during the downturn.

The latest rise in Nordic pulp prices earlier this month was caused by growing shortages of wood and a huge increase in demand for fine paper.

Mr Helgesson said non-integrated suppliers of fine paper in Europe "will obviously suffer as [pulp] prices go up," but added: "They've been able to put through price increases faster than I expected".

Stora has also just announced increases of 10 and 20 per cent for coated and uncoated magazine paper, following 8 to 12 per cent rises for fine paper. Despite this, he said, "our average prices are somewhat lower than in 1993".

The group would need to increase present capacity of 7m tonnes by at least 200,000 tonnes a year to hold its share if the market continued to grow by 3-4 per cent a year as predicted, Mr Helgesson said.

"We can do this either by building new machines or acquiring capacity and we will see a combination of that in the future," he said.

US producer says aluminium demand exceeds expectations

By Kenneth Gooding, Mining Correspondent

The aluminium industry is enjoying a time of extraordinary demand growth, according to Mr Lloyd O'Carroll, corporate economist at Reynolds Metals, the second-largest US aluminium group. He suggests that western world consumption is set to rise by 7 per cent in 1994 to 16.7m tonnes.

Physical aluminium is being sold at very high premiums to London Metal Exchange prices nearly everywhere in the world. "This tells me that the physical market is pulling the LME, rather than the LME pushing the market," he adds.

Mr O'Carroll says that European demand is causing the greatest surprises. Orders for flat rolled aluminium are up 20 per cent from last year's depressed levels and orders for extrusions are up 10 per cent. This could easily translate into a 5 per cent rise in primary aluminium consumption in Europe this year.

In Japan, which like Europe was expected to provide only weak or flat demand for this year, the recovery in aluminium sales growth is proving faster than in the previous two cyclical economic recoveries. The underlying trend is very strong but the Japanese, conscious that they are the world's biggest purchasers of the metal, "are going out of their way so as not to sound too optimistic".

For the US, where deliveries of aluminium rose by 11 per cent in the first half compared with a reasonably buoyant first six months in 1993, Mr O'Carroll is predicting 10 per cent growth in demand for the full year to 7.94m tonnes.

He says aluminium sales in the US are likely to slow now because the country is past the mid-point in the latest macro-economic cycle. But, with Europe and Japan just starting their recoveries, the aluminium market can look forward to strong world wide growth for the next three to five years. Mr O'Carroll's analysis puts long-term aluminium demand growth at an annual 3 per cent to 5 per cent.

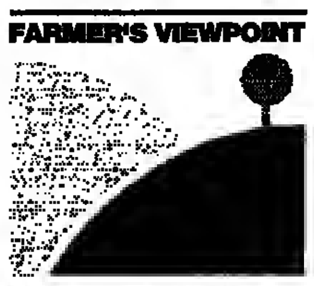
Aluminium stocks are likely to drop by 500,000 tonnes this year and by nearly 1.5m tonnes in 1995.

Russian supply remains an enigma, says Mr O'Carroll. In 1993 aluminium exports from Russia probably were close to 2m tonnes. However, if Russia cut output by 300,000 tonnes, as part of its contribution to the recent trade agreement between aluminium producing countries, it was likely that Russian exports would be flat or down a little next year.

Lush leaves belie disappointing sugar crop

Recent rain in the UK has encouraged foliage growth at the expense of the beets

FARMER'S VIEWPOINT



By David Richardson

An old farming neighbour used to say he enjoyed growing root crops like potatoes and sugar-beet because of the element of surprise. The value, he would explain – the tubers and the beets – was hidden in the soil and the farmer never quite knew what was there to harvest until the roots were lifted.

Implied in his tongue-in-cheek comment was that it was difficult to assess the yield of a root crop by looking at the leaves and foliage above ground level. The old man died many years ago but his words are as true today as they ever were and the 1994 sugar-beet crop seems likely to prove the point.

Recent heavy rain (we have had close to 8 inches over our Norfolk farm within the last month in an area which has a long term average rainfall of 23 inches a year) has encouraged lush growth of sugar-beet leaves and a cursory inspection might suggest excellent crops. But dig some of the roots out of the land and it soon becomes evident that they are significantly smaller and lighter than usual.

The problem began back in the spring. Much of the land on which sugar-beet was to be grown remained wet and cold far longer than normal. Planting was inevitably delayed for a few weeks beyond the optimum date and even when the seeds were in the ground growth was retarded by low temperatures. That meant that, in many cases, full leaf cover was not achieved by the critical date of the end of June. Then followed the July heatwave, which dehydrated the plants to the extent, in worst cases, that leaves fell flat on to the baking soil and literally cooked in the sun. But not all the leaves were irreparably damaged. August rains perked them up and September downpours encouraged the plants to grow new green leaves.

Unfortunately some of the energy stored in the roots was needed to grow these leaves. So, instead of gaining weight and sugar from the radiated energy of autumn sunshine, as they usually do, they were obeying their natural imperative to survive and produce seed. Sunshine has been pretty sparse this autumn in any case and as regular samples taken by the monopoly processor, British Sugar, have confirmed, this has resulted in an unexciting prospect for this year's crop.

The official figures show that average root weight on the September 20 was just 590g compared with 713g at the same time last year and a five-year average of 661g. Sugar content was equally disappointing. This year it was 16.6 per cent compared with 17.46 per cent last year and a five-year average of 17.92 per cent. The critical measurement of the weight of sugar per root showed that this year's level on September 20 was 97.9g, against 124.5g last year and a five-year average of 118.5g.

It is possible for these weights and sugar percentages to improve, especially if the weather for the rest of the autumn improves to be more like the seasonal normal. But the reality is that in spite of British Sugar's decision to delay the start of processing by almost two weeks in the hope that the roots will mature, this crop can now yield no better than average and it may well produce below that.

So, as most of Britain's sugar processing factories begin the harvesting "campaign" later this week, the farmers who supply them already know that returns will be down. For unlike potatoes, sugar beet are priced according to a formula agreed by the European Union and there is no boost to the market value if there is a shortfall in production. That, anyway, is the case with those roots produced within so-called "A" and "B" quota tonnage limits – the proportion of the crop grown on each farm that enjoys a guaranteed price.

If a UK farmer grows more than his A and B entitlement the excess is called "C" sugar and this has to be disposed of on world markets for whatever it will fetch. This year, according to some sugar pundits who see further tightening of world stocks, C sugar is likely to be worth about £20 a tonne delivered to factories. That compares with £35 for A and B quota beet, but, given that most production costs are covered by the A and B element, it can still provide a worthwhile additional profit to the grower.

But, short of a weather miracle over the next few months, there will be little C sugar this year. That is bad news for growers and for British Sugar, as the EU quota regulations restrict the UK sugar beet industry to producing less than half of domestic demand. This means that the rest of the sugar consumed in Britain has to be imported – mostly from African, Caribbean and Pacific sugar cane-producing countries under the terms of an agreement entered into when Britain joined the European Community in 1973. But increasing amounts are now coming in from other EU member states which have beet production quotas massively higher than their own domestic demand.

Needless to say this has annoyed British sugar beet growers and processors for many years. That annoyance seems set to intensify over coming weeks as EU sugar quotas are renegotiated in Brussels for the next five years. For while they recognise that the EU sugar surplus of some 30 per cent in years of optimum production must be reduced, they resent the suggestion that Britain's already inadequate quota should be reduced at all. Indeed in any reallocation there is a strong case for the UK quota to be increased.

Moreover, campaigns have been launched by beet growers, the National Farmers' Union, British Sugar and a farming magazine to try to ensure that the new minister of agriculture, Mr William Waldegrave, defends and prosecutes the British case in Brussels.

In spite of poor prospects for my own and other farmers' crops this year, sugar beet remains of vital economic, rotational and environmental importance on many UK farms. I very much hope the campaigns are successful.

MARKET REPORT

Coffee futures rally as Brazilian drought continues

COFFEE futures closed higher on the London Commodity Exchange yesterday, having rallied after a Brazilian official suggested that continuing drought meant that his country's 1995-96 coffee crop would be even lower than the 15m bags (60kg) to which it was estimated to have been reduced by frosts in June and July.

The November position ended at $4,080 a tonne, up $13 from Friday but $16 below the day's high.

"We are very worried," said Mr Frederico Robalinho, secretary at the Brazilian trade and industry ministry. "The drought hasn't stopped. We have to wait for the rain to arrive. We are expecting rain every day." He was speaking to reporters during a break in a meeting of the International Coffee Organisation in London.

At the London Metal Exchange base metals prices continued to drift lower in afternoon trading after an earlier spike in the COPPER market to a fresh 26-month high of $2,570 a tonne, for delivery in three months, met profit-taking and resistance. The price closed at $2,561.75, down $8.75 on the day and lost further ground in after hours trading.

Dealers suggested that copper was still poised to head higher, though it would have to break resistance around $2,575 to spark a move towards $2,600 a tonne.

ALUMINIUM prices remained under pressure from trade selling, though technical support and speculative buying appeared near $1,600 a tonne for three months metal, which closed at $1,607.50, down $24.

NICKEL remained boxed in a narrow range, closing $20 lower at $6,527.50 a tonne.

Precious metals turned firmer in Europe during the afternoon after a bout of short-selling ahead of the New York opening took markets lower.

GOLD closed at $395.95 a troy ounce, down just 5 cents and well off the day's low. Weekend news that Britain was to propose IMF gold sales to help ease poor-nation debt sparked short-selling in the early afternoon.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1583.5-84.5	1607-8
Previous	1608-9	1631-2
High/low		1618/1601
AM Official	1586-87	1607.5-8.0
Kerb close		1607-8
Open Int.	249,211	
Total daily turnover	46,804	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1648-58	1665-70
Previous	1680-90	1685-90
High/low		1690/1665
AM Official	1648-58	1665-70
Kerb close		1660-5
Open Int.	3,093	
Total daily turnover	609	

■ LEAD ($ per tonne)

Close	618.5-19.5	632-33
Previous	620.5-22.5	636-37
High/low		639/633
AM Official	622-23	636.5-37
Kerb close		632-3
Open int.	41,297	
Total daily turnover	7,620	

■ NICKEL ($ per tonne)

Close	6425-30	6525-30
Previous	6445-55	6545-50
High/low	6425	6550/6520
AM Official	6425-26	6520-25
Kerb close		6520-30
Open Int.	68,038	
Total daily turnover	20,064	

■ TIN ($ per tonne)

Close	5377-82	5465-60
Previous	5405-15	5485-90
High/low		5500/5450
AM Official	5420-25	5493-503
Kerb close		5465-70
Open Int.	18,728	
Total daily turnover	7,304	

■ ZINC, special high grade ($ per tonne)

Close	1021.5-22.5	1044.5-45.0
Previous	1022.5-23.5	1045-46
High/low		1049/1040
AM Official	1024-25	1048-49
Kerb close		1044-5
Open Int.	97,601	
Total daily turnover	25,462	

■ COPPER, grade A ($ per tonne)

Close	2553-54	2561.5-62.0
Previous	2555.5-56.5	2570-71
High/low	2557	2570/2557
AM Official	2557-58	2566-67
Kerb close		2564-5
Open int.	216,848	
Total daily turnover	76,094	

■ LME AM Official £/$ rate: 1.5762
LME Closing £/$ rate: 1.5751

Spot:1.5745 3 mths:1.5723 6 mths:1.5695 9 mths:1.5639

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	127.80	-	128.90	127.80	2,247	851
Oct	121.25	-	122.10	121.10	2,292	625
Nov	119.00	-0.35	-	-	698	63
Dec	118.00	-0.75	119.10	117.80	44,208	3,276
Jan	117.35	-0.75	-	-	573	86
Feb	116.70	-0.75	-	-	439	90
Total					61,132	6,388

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	395.70-396.20	
Opening	395.50-395.90	
Morning fix	395.40	250.745
Afternoon fix	395.80	251.365
Day's High	396.30-396.80	
Day's Low	394.50-395.00	
Previous close	395.75-396.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.51	6 months	4.81
2 months	4.55	12 months	5.10
3 months	4.62		

Silver Fix	p/troy oz.	US cts equiv.
Spot	359.15	565.65
3 months	364.00	572.60
6 months	369.60	580.15
1 year	383.85	597.75

Gold Coins	$ price	£ equiv.
Krugerrand	398-401	252-255
Maple Leaf	406.75-409.30	
New Sovereign	92-95	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	394.3	-1.8	-	-	30	-
Oct	394.5	-1.9	396.4	394.4	5,150	381
Nov	396.1	-1.9	-	-	-	-
Dec	397.8	-1.8	400.0	397.7	106,969	32,264
Feb	401.2	-1.8	403.1	401.0	15,979	2,615
Apr	404.7	-1.9	406.5	405.3	7,212	66
Total					178,295	37,137

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	416.3	-3.7	423.5	417.0	8,421	2,983
Jan	423.2	-3.5	426.3	423.0	12,541	2,423
Apr	426.4	-3.6	426.5	426.4	2,461	85
Jul	429.9	-3.6	-	-	466	10
Oct	432.6	-3.6	-	-	328	-
Total					24,247	5,601

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	154.50	-1.10	157.75	154.50	32	2
Dec	156.50	-1.10	157.75	156.00	5,305	399
Mar	157.50	-1.10	158.50	157.50	1,184	193
Jun	158.60	-1.00	-	-	152	50
Total					6,673	644

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Sep	562.2	-8.4	566.0	564.0	326	44
Oct	563.5	-8.4	-	-	8	-
Nov	564.7	-8.8	-	-	91,565	19,721
Dec	567.2	-8.8	573.5	567.0	46	4
Jan	569.7	-8.8	569.0	569.0	10,329	1,426
Mar	575.7	-8.8	581.5	575.5	4,445	22
Total					118,981	21,346

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	17.89	+0.08	17.95	17.73	90,210	36,844
Dec	18.03	+0.06	18.08	17.88	62,241	21,746
Jan	18.13	+0.07	18.10	17.99	42,145	8,614
Feb	18.18	+0.10	18.10	18.05	21,224	2,508
Mar	18.10	-	18.10	18.05	17,054	1,837
Apr	18.14	+0.03	18.14	18.05	13,667	2,850
Total					384,881	83,807

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.77	+0.11	16.78	16.55	68,824	18,874
Dec	16.83	+0.10	16.87	16.65	39,166	6,820
Jan	16.92	+0.07	16.92	16.75	12,243	2,176
Feb	16.80	+0.04	16.80	16.70	6,723	905
Mar	16.71	-0.06	16.72	16.71	7,327	1,765
Apr	16.88	+0.08	16.88	16.72	3,200	2,615
Total					144,921	18,550

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	48.80	+0.25	48.95	48.30	24,873	13,111
Nov	49.80	+0.21	49.90	49.30	29,637	7,597
Dec	50.95	+0.11	51.25	50.80	39,750	5,214
Jan	51.80	+0.11	52.00	51.55	28,674	3,394
Feb	52.30	+0.11	52.30	52.00	15,733	981
Mar	52.15	+0.41	52.25	51.65	11,821	2,184
Total					178,140	35,968

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	152.75	+1.50	152.75	151.25	33,143	5,032
Nov	155.50	+1.25	155.50	154.00	18,923	2,595
Dec	158.00	+1.75	158.00	156.75	20,889	2,384
Jan	159.75	+1.50	159.75	158.50	18,768	991
Feb	160.00	+1.00	160.00	160.00	5,226	78
Mar	160.25	+1.25	160.25	158.75	5,520	1,282
Total					187,142	12,385

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.755	+0.036	1.770	1.695	2,429	36,398
Dec	2.040	+0.026	2.050	2.000	33,449	14,548
Jan	2.110	+0.033	2.110	2.070	30,215	7,788
Feb	2.025	+0.024	2.030	1.996	16,181	3,243
Mar	1.980	+0.027	1.980	1.952	14,215	1,975
Apr	1.940	+0.015	1.940	1.930	11,215	1,202
Total					158,299	71,099

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	46.40	+0.63	46.55	45.65	15,393	12,101
Nov	46.30	+0.47	46.50	45.80	22,011	10,302
Dec	53.70	+0.29	53.80	53.25	12,085	2,674
Jan	53.55	+0.35	53.55	53.35	6,844	1,377
Feb	53.90	+0.30	53.90	53.90	3,780	731
Mar	55.50	+1.00	-	-	1,277	226
Total					70,359	29,873

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	106.25	-	106.50	105.10	2,492	25
Jan	108.45	+1.60	108.80	108.25	1,884	52
Mar	110.45	+1.30	110.60	110.45	1,221	2
May	112.45	+1.35	112.60	112.45	1,353	10
Jul	114.30	+1.20	-	-	237	-
Total					7,222	89

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	396/6	-	398/4	394/0	48,056	12,631
Mar	403/6	-0/4	406/4	401/2	19,626	3,192
May	389/2	-2/4	393/0	387/6	2,686	583
Jul	360/0	-3/2	363/6	359/0	4,556	1,094
Sep	363/0	-2/0	364/0	363/0	75	18
Dec	372/0	+0/4	375/0	372/0	81	4
Total					75,982	17,593

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	216/6	-0/2	217/2	216/2	134,384	9,536
Mar	226/6	-	227/2	226/0	41,337	1,428
May	234/0	-	234/4	233/4	16,613	830
Jul	238/4	-	239/0	238/0	17,242	633
Sep	242/2	-0/2	242/6	242/2	1,184	31
Dec	246/0	-0/2	246/0	245/6	6,744	159
Total					217,910	12,626

■ BARLEY LCE (£ per tonne)

Nov	103.55	+1.30	103.55	103.50	482	5
Jan	105.65	+1.75	-	-	410	-
Mar	107.65	+1.40	-	-	100	-
May	109.25	+0.85	-	-	48	-
Total					1,040	5

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	554/2	+0/2	555/0	551/4	78,595	13,936
Jan	564/2	-	565/0	561/6	19,671	1,810
Mar	574/2	-0/2	574/6	572/0	11,562	1,289
May	581/2	-0/2	582/0	579/0	5,741	335
Jul	586/6	-0/6	588/0	585/0	11,026	533
Aug	587/6	-0/4	588/0	587/0	286	41
Total					639,690	91,695

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	25.64	+0.36	25.85	25.36	16,021	4,488
Dec	25.07	+0.20	25.08	24.72	37,891	11,364
Jan	24.75	+0.10	24.80	24.50	6,242	1,883
Mar	24.44	+0.04	24.45	24.15	8,331	1,872
May	24.13	-	24.15	23.90	5,358	625
Jul	23.88	-0.05	23.95	23.81	3,773	501
Total					81,067	21,142

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	164.6	-0.8	165.3	164.0	12,525	3,199
Dec	166.2	-0.4	166.6	164.8	44,433	8,096
Jan	167.0	-0.2	167.3	166.7	10,569	907
Mar	170.0	-	171.0	170.2	10,860	1,129
May	173.2	+0.1	173.4	173.0	5,768	252
Jul	176.2	+0.5	176.5	175.5	3,981	797
Total					89,430	14,561

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	217.8	+2.0	218.0	210.0	1,265	260
May	237.5	-	-	-	-	-
Jun	187.5	-	-	-	-	-
Total					1,265	260

■ FREIGHT (BIFFEX) LCE ($10/index point)

Sep	1620	-15	1620	1615	223	20
Oct	1660	-29	1685	1660	751	17
Nov	1660	-20	1680	1660	182	7
Jan	1597	-8	1605	1595	676	51
Apr	1603	-7	-	-	417	-
Jul	1453	-7	-	-	107	-
Total					2,386	95

	Close	Prev
BFI	1606	1600

Tea
There was fair general demand this week reports the Tea Brokers' Association. Quality Assams were again strongly supported in the 190 to 250 pence range, while coloury mediums were fully firm. Selected brightest East Africans were strong, but below best sorts lost 4 to 8 pence by the close. Coloury mediums were fully firm, with plainer sorts steady. Fair demand at firm to sometimes dearer rates. Quotations: best available: 210p/kg, good: 140p/kg, good medium: 130p, medium: 120p/kg, low medium: 85p/kg. nom the highest price realised this week was 250p/kg for an assam pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	953	-13	965	965	8	8
Dec	995	-9	1005	993	27,556	1,249
Mar	1029	-7	1033	1022	36,206	767
May	1042	-5	1042	1040	12,876	21
Jul	1053	-16	1055	1053	5,794	57
Sep	1065	-36	1066	1065	9,344	25
Total					103,875	2,248

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1349	-32	1374	1347	42,397	13,385
Mar	1401	-25	1420	1398	15,556	2,216
May	1430	-25	1450	1437	5,167	844
Jul	1463	-25	1475	1474	2,645	11
Sep	1490	-25	1487	1486	1,295	2
Dec	1518	-25	1520	1510	4,876	10
Total					75,828	16,669

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Sep 23		
Daily	1034.90	1012.39

■ COFFEE LCE ($/tonne)

Sep	4263	+25	4263	4210	1,264	66
Nov	4083	+10	4096	4040	10,565	1,325
Jan	4039	+21	4047	3990	14,649	892
Mar	3945	+22	3957	3902	7,310	380
May	3896	+20	3900	3850	2,214	175
Jul	3863	+23	3868	3815	1,211	71
Total					37,264	2,709

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	226.60	-3.05	231.25	226.30	22,662	6,320
Mar	229.95	-3.00	234.50	229.75	8,888	1,836
May	230.85	-3.05	235.30	232.00	3,488	724
Jul	231.25	-3.25	234.00	233.00	1,062	200
Sep	231.75	-3.05	234.00	234.50	441	55
Dec	232.25	-3.00	234.50	234.50	622	100
Total					37,363	9,337

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Sep 23		
Comp. daily	208.82	206.62
15 day average	202.85	201.85

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Oct	12.80	+0.13	-	-	1,808	505
Jan	11.82	-	-	-	-	-
Mar	12.65	-	-	-	90	-
Total					1,898	505

■ WHITE SUGAR LCE ($/tonne)

Dec	331.90	+2.70	333.00	328.60	3,810	479
Mar	332.60	+2.00	333.00	328.90	7,585	343
May	332.40	+2.10	333.00	330.00	1,217	40
Aug	332.10	+2.10	333.00	328.80	1,066	117
Oct	316.00	+2.20	316.00	313.10	422	11
Dec	314.90	+2.20	-	-	4	-
Total					14,136	990

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	12.88	+0.15	12.72	12.44	19,187	3,072
Mar	12.60	+0.12	12.68	12.39	99,564	4,367
May	12.60	+0.13	12.63	12.39	16,413	891
Jul	12.49	+0.16	12.50	12.27	10,386	438
Oct	12.23	+0.08	12.27	12.08	6,062	307
Mar	11.80	+0.06	11.80	11.80	1,032	-
Total					152,654	9,075

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	68.26	-	69.45	68.26	753	967
Dec	67.57	-1.24	69.32	67.35	27,965	3,369
Mar	69.37	-1.05	70.85	69.20	10,349	380
May	70.77	-1.01	71.90	70.65	5,631	176
Jul	71.85	-0.82	73.00	71.55	3,940	78
Oct	69.00	-0.75	70.00	69.90	485	22
Total					50,657	5,054

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	99.35	+4.40	100.00	98.10	11,085	823
Jan	102.75	+4.75	103.00	99.70	8,607	844
Mar	105.95	+4.35	106.60	103.70	4,455	129
May	109.45	+4.45	109.50	107.50	971	41
Jul	111.95	+4.25	111.80	111.80	613	26
Sep	114.45	+4.25	114.80	114.80	20	-
Total					24,882	1,918

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 26	Sep 23	month ago	year ago
2120.8	2126.2	-	1596.9

■ CRB Futures (Base: 1967=100)

Sep 23	Sep 22	month ago	year ago
232.74	232.09	232.56	217.42

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	70.000	-0.225	70.150	69.675	25,158	5,816
Dec	69.125	-0.200	69.200	68.725	21,438	4,253
Feb	67.875	-0.025	67.900	67.550	13,642	1,038
Apr	69.375	+0.125	69.400	68.925	9,594	575
Jun	66.250	+0.050	66.250	65.950	2,057	58
Aug	65.950	+0.050	65.950	65.625	1,068	8
Total					73,082	11,795

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	37.650	+0.375	37.750	37.325	8,492	1,749
Dec	38.300	+0.325	38.450	37.925	13,037	1,922
Feb	39.200	+0.225	39.275	38.800	4,316	586
Apr	39.200	+0.050	39.275	39.075	2,577	309
Jun	44.400	-	44.400	44.200	841	81
Aug	43.075	-0.075	43.100	43.050	118	2
Total					29,793	4,468

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	39.250	+0.550	39.450	38.925	7,894	1,978
Mar	39.275	+0.575	39.400	38.525	649	389
May	40.300	+0.550	40.400	40.300	158	30
Jul	41.100	+0.400	41.100	40.650	199	53
Aug	40.100	+0.350	40.100	-	47	12
Total					8,946	2,462

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	14	70	22	61
1625	6	58	39	74
1650	2	48	60	89
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2500	70	122	11	62
2550	36	95	21	86
2600	14	73	50	112
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	502	571	19	132
3650	458	537	25	148
3700	416	505	33	166
■ COCOA LCE	Dec	Mar	Dec	Mar
975	51	102	31	48
1000	39	88	44	59
1050	21	65	76	86
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	-	71	24	45
1700	24	86	60	-
1750	12	37	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov) +or-

Dubai	$15.31-5.36u	-0.280
Brent Blend (dated)	$16.08-6.10	-0.250
Brent Blend (Nov)	$16.45-6.47u	-0.190
W.T.I. (1pm est)	$17.62-7.63u	-0.195

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-175	-1
Gas Oil	$152-153	
Heavy Fuel Oil	$74-76	+0.5
Naphtha	$160-161	+1
Jet fuel	$173-174	+3
Petroleum Argus assessments		

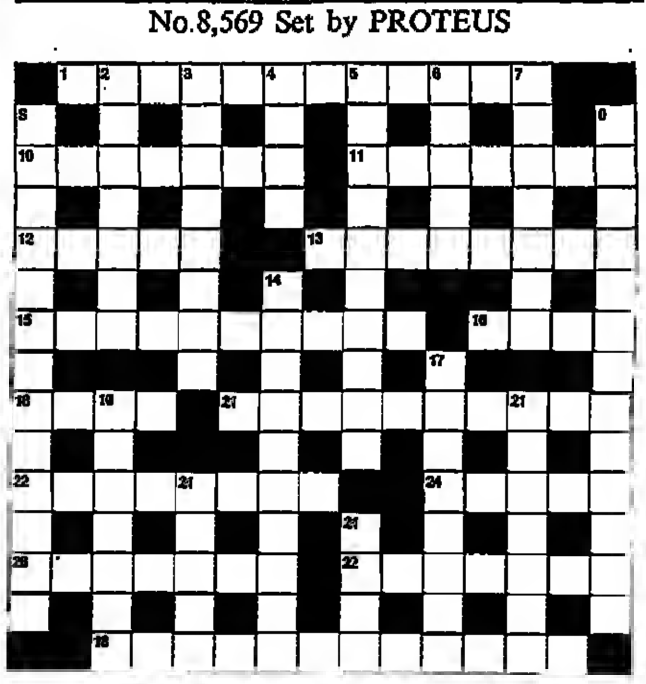
■ OTHER

Gold (per troy oz)♣	$395.95	-0.05
Silver (per troy oz)♣	567.5c	-3.0
Platinum (per troy oz.)	$419.75	-1.25
Palladium (per troy oz.)	$155.50	-0.75
Copper (US prod.)	132.0c	+3.0
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.47m	
Tin (New York)	252.5c	+3.0
Cattle (live weight)†©	116.17p	+0.84*
Sheep (live weight)†♣©	87.85p	+1.29*
Pigs (live weight)©	75.41p	+4.20*
Lon. day sugar (raw)	$310.0	-1.1
Lon. day sugar (wte)	$336.5	
Tate & Lyle export	£309.0	-1.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	90.00p	
Rubber (Nov)♥	89.00p	
Rubber KL RSS No1 Oct	335.50m	+3.5
Coconut Oil (Phil)§	$660.0z	+7.5
Palm Oil (Malay.)§	$630.0t	+5.0
Copra (Phil)§	$422	+11
Soyabeans (US)	£158.0z	
Cotton Outlook 'A' Index	74.50c	
Wooltops (64s Super)	463p	-12

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,569 Set by PROTEUS



ACROSS
1 Bears trained by coach (a military blusterer) (5-7)
10 Attacks prices (7)
11 He studies accounts of car taking hill (7)
12 Flower left by bird (5)
13 Bivalve case opened by turning head (8)
15 Fashion with a certain amount of restraint (10)
18 Wine when it turns (4)
18 What archaeologist does for accommodation (4)
20 Competitor having to study book on state procedure (10)
22 Oversize instrument to change gear (3,5)
24 Either way it is a revolver (5)
26 Italian town where floating voter takes one round (7)
27 Love being unexpectedly shown round a plant (7)
28 Highlight of normal palm plantation (8,4)

DOWN
2 A crowd journalist gathered together (7)
3 Pub stalwarts who may be trained to fight? (8)
4 Indiscreet outbreak (4)
5 Carries off torn straps unfortunately (10)
6 Early diagnosis showing "It's a girl"? (5)
7 Conductor's toys (7)
8 Loan securing lodgings (13)
9 To do with ownership of pier-part or oil-rig (13)
14 Keep firm grip (10)
17 Moulding star to appear in gala performance (8)
19 Record features of "Love Among the Trees" (7)
21 Roman thousand or word of opposite meaning (7)
23 Point in space where the action is (5)
25 Archbishop needing to dress up (4)

Solution to Saturday's prize puzzle on Saturday October 8.

JOTTER PAD

FT-SE 3,0

Reckitt rights not welcome

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 3,000 lost as selling of shares continues

By Terry Byland, UK Stock Market Editor

Renewed selling in the UK stock market yesterday drove the FT-SE 100-share Index down to its first close below 3,000 since mid-July as fund managers backed away ahead of the meeting today of the Federal Reserve's Open Market Committee. Although views on the chances of a rise in US interest rates were divided, and London closed well above the worst after US bonds opened firmly, sentiment in equities remained negative.

Traders said that European funds had continued to switch out of UK equities and into bonds. S.G. Warburg, reducing its portfolio weighting on international equities to neutral, from overweight, warned clients that some equity valuations look "modestly stretched" and that markets may have underestimated the chances of interest rises in the final quarter of the year.

However, Warburg continues to favour "an overweight of equities" on a twelve month view, noting that equities can rise even when both interest rates and bond yields are moving higher.

Equities opened lower and were hit hard at mid-session by another sizeable sell programme, which took the Footsie 100 Index down by more than 40 points to the day's low of 2,987.8.

Last week saw a series of equity sell programmes which, traders believe, resulted from portfolio deals by fund managers who unloaded equity stakes to market-makers who were then left with the problem of passing the stock on through the market; such deals were, as has become normal practice, spearheaded by selling of the stock index future. Government bonds held steady yesterday, reinforcing belief that cash was moving from equities to bonds.

The Footsie recovered as yesterday's trading programme was unwound and, spurred on by firmness in US bonds, cut its loss by nearly one third. The final reading put the FT-SE Index at 2,999.8 for a net loss of 28.4. The FT-SE Mid 250 Index also suffered yesterday, falling 39.5 to 3,521.4.

Seaq volume, slow at first, speeded up towards the close when the delayed trading programme was reported on City trading screens. The final total of 515.8m shares through the Seaq network compared with 550.5m on Friday when retail business, at £1.16bn, was moderate. A good value total of retail business, contrasting with fairly average Seaq share totals, has been a feature of recent sessions and also implies that the big institutions have been active in equities.

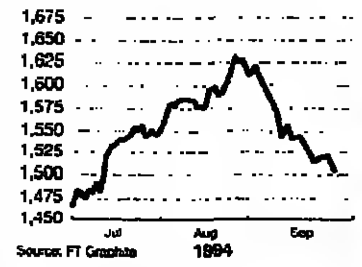
A number of special situations enlivened the day's trading. Some analysts took a cautious view of Reckitt & Colman's £1bn purchase of Eastman Kodak's household products business, suggesting that Reckitt had overpaid. Shares in the UK group also paid the price for inflicting a large rights issue on a market now clearly feeling less confident than it was only a few weeks ago.

Consumer and retail issues remained badly unsettled by growing fears of increased competitions and pressured margins. Bass and Tesco fell away and most of the store groups ran into selling pressure again. The banks, with their bad debt portfolios in the firing line if interest rates move higher and hurt their customers, also gave ground.

Yesterday's fall below the Footsie 3,000 mark has left equity chartists hoping to see for support for the market in the Footsie 2,970 area.

However, most UK analysts remain fairly confident for the equity performance in the final quarter of the year, and point out that this week – the final week of the third quarter – is unlikely to bring much new investment money into the London stock market. Many market analysts still stand by forecasts that the FT-SE 100 Index will move upwards towards the 3,500 mark by the end of December.

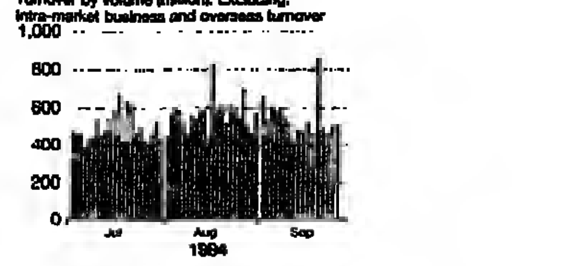
FT-SE-A All-Share Index



Source: FT Graphite 1994

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



1994

■ Key Indicators

Indices and ratios

FT-SE 100	2999.8	-28.4
FT-SE Mid 250	3521.4	-39.5
FT-SE-A 350	1513.6	-14.6
FT-SE-A All-Share	1505.22	-14.36
FT-SE-A All-Share yield	3.99	(3.95)
FT Ordinary Index	2331.4	-15.8
FT-SE-A Non Fins p/e	18.45	(18.66)
FT-SE 100 Fut Dec	3009.0	-34.0
10 yr Gilt yield	8.99	(8.96)
Long gilt/equity yld ratio:	2.25	(2.27)

Best performing sectors

1 Water ... +0.2
2 Leisure & Hotels ... -0.1
3 Spirits, Wines & Cider ... -0.1
4 Retailers, General ... -0.3
5 Distributors ... -0.4

Worst performing sectors

1 Household Goods ... -4.9
2 Gas Distribution ... -2.6
3 Life Assurance ... -2.4
4 Electricity ... -2.1
5 Utilities ... -1.7

Reckitt rights not welcome

The timing, if not the substance, of the move by Reckitt & Colman, the household goods and pharmaceutical products group, to acquire L & F Household from Eastman Kodak, took the market by surprise and triggered a steep decline in Reckitt shares.

Reckitt stock was the FT-SE 100's worst performer, closing 43 off at the session's low of 555p, as the market reacted violently to the deeply discounted £230m cash call which accompanied the L & F Household purchase.

Talk that Reckitt was about to buy L & F Household has been in the market for around two months. In August, and before the latest steep slide in share prices, the market was full of stories that Reckitt was prepared to pay upwards of $1.7bn for L & F.

One leading analyst described the proposed purchase of L & F as a "good strategic move" but said the market had not taken kindly to the rights issue. He professed concern, however, at Reckitt's claim that the purchase will have insignificant impact on its earning's for 1995. "Insignificant impact is taken as market code for earnings dilution," he said.

Drugs bid seen

Suggestions in the UK press over the weekend that Zeneca, the drugs group demerged from ICI last year, may be preparing a £900m-plus bid for Boots' pharmaceuticals division triggered a strong performance by the latter's shares but left those of Zeneca floundering.

Some of the market's drugs analysts were unimpressed with the story; "A Glaxo move to acquire Boots' drugs division would make much more sense," said one.

Boots' intention to hive off its drugs business has been discussed in the market for many months but Zeneca had not, until this week, been viewed as a potential bidder.

Zeneca itself has been considered by the market as a potential target for an overseas bidder and there has been talk around the City's trading desks of a merger between Zeneca and Wellcome.

Zeneca shares dropped 25 to 797p on turnover of 2.9m, while Boots was one of only a handful of FT-SE 100 stocks to make progress on the day, finishing 4½ higher at 530½p, after touching 536p.

Bass unpopular

Shares in brewing, hotels and soft drinks company Bass fell sharply after a badly received trading statement from the group.

The slide started early in the day following the statement's release, and at the day's worst the stock was down 18 before steadying with the improving market to close a net 17 off at 523p after thin trade of 1.3m.

Market watchers were particularly concerned by the 0.8 per cent decline in beer volumes, along with the poor outlook on margins for beer. However, one analyst did say that trading in the soft drinks division was better than expected. Another analyst said simply: "Even the meeting with the company was poor, with little there to find encouraging."

The utilities sectors, traditionally safe havens during periods of extreme turbulence in equities, were given the roughest of rides in the market as a number of institutions were straight sellers of the "recs" or aggressive switchers, out of the "recs" and into the water stocks, a move advocated last week by Hoare Govett.

Dealers said there were no new stories behind the slide in the recs shares, other than that the sector's closed period is looming. Details of the flotation of the National Grid is not expected until the end of the recs' closed season, in November.

Seeboard took advantage of the steep fall in share prices to buy in substantial blocks of their own stock, announcing the purchase of 2.85m shares at 427p. Seeboard closed 7 lower at 420p.

Midlands Electricity was the worst casualty in the recs, the shares plummeting 35, or 4.5 per cent, to 756p. South Western dropped 24½ to 749p. Northern Ireland Electricity was a lone good performer, closing 3 ahead at 386p.

British Petroleum edged higher, thanks to a buy note from S.G. Warburg and evidence of keen support from the US as Wall Street opened on a firm note. The shares settled 3 higher at 401p on 7.5m traded.

Hanson was the most heavily traded stock in the market, the shares fighting back after last Friday's Hoare Govett profits downgrade and closing a fraction ahead at 230¾p, with US institutions said to have been aggressive buyers. Turnover topped 18m shares.

Royal Bank of Scotland was the pick of the banks sector, still responding to aggressive buying by Credit Lyonnais Laing after the recent positive meeting with Mr Peter Wood, the chief executive of Direct Line, the RBOS's insurance subsidiary. RBOS shares closed 9 higher at 422p.

There was also a suggestion of substantial switching out of Abbey National and into RBOS. Abbey slipped 7 to 383p.

Fears of a bitter price war among food retailers continued to cast a shadow over stocks in the sector. J Sainsbury relinquished another 6 to 391p, as several brokers indicated a preference for its rival Tesco and advised clients to switch into the latter. It closed at 228p, down 5 xd. Kwik Save tumbled 27 to 545p on reports that Nomura had issued a sell recommendation on the stock.

Publishing shares took in their stride the announcement that Hodder Headline is to move away from the net book agreement from January. Hodder were unchanged at 350p.

Activity among engineering shares was mostly concentrated on smaller companies with armoured vehicle maker Alvis falling 19 to 36p on consideration of the weakening profits trend.

In the unlisted securities market, Belfast engineer Mackie closed at 195p, compared with a placing price of 180p.

Granada Group closed 7 ahead at 508p, after UBS issued a 36 page review on the group's operations. Mr Julian Easthope at UBS reiterated his buy stance on the stock and said he values Granada's 13.5 per cent holding at around £540m, a figure he believes is not yet reflected in the current share price.

Eurotunnel stood out sharply in an otherwise lacklustre transport sector, closing 19 down at 250p, as stories of sea water seeping into the tunnel ran round the market, causing confused trading.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (16).
BREWERIES (1) Gibbs Mew, EXTRACTIVE INDS (7) Buffelsfontein, Elandsrand, Harmony, Impala, Kloof, Loraine, Stilfontein, LEISURE & HOTELS (1) Northern Deb. 96/01, OIL EXPLORATION & PROD (1) Alliance, PHARMACEUTICALS (1) Brit. Biotech Wrts., RETAILERS, FOOD (1) Fyffes, RETAILERS, GENERAL (1) Stylo, SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, TRANSPORT (1) Go-Ahead, AMERICANS (1) Amer. Cyanamid.
NEW LOWS (146).
OTHER FIXED INTEREST (1) Leeds 13½pc 2006, BANKS (2) Allied Irish, Espirito Santo, BUILDING & CNSTRN (10) AMEC 6.5p Prf., Birse, Boot (H), Bryant, Countryside, Laing (J), Do. A NV, Do. 6.4pc Prf., Wilson Bowden, Wimpey (G), BLDG MATLS & MCHTS (6) Anglian, Atreus, Cape, Heywood Wms. Prf., Meyer Intl., Titon, CHEMICALS (3) Courtaulds, Manders, Sutcliffe Speakman, DISTRIBUTORS (8) Bunzl, Cowie, Electrocomps, Enterprise Comp., Farnell Elect., Litho Supplies, Pendragon, Perry, DIVERSIFIED INDLS (4) Hanson, Do. Wrts., Do. 9½pc Cnv., Tomkins, ELECTRNC & ELECT EQUIP (8) BICC, Botacom, Bowthorpe, Danka Bus., Delta, Process Sys., Silverminos, VideoLogic, ENGINEERING (11) Aerostructures Hamble, Alvis, Billam (J), Ferrum, Glynwed, Hay (N), Meggitt, Molins, TI, Vernon Intl., Whatman, ENG, VEHICLES (2) Mid-States, Motor World, FOOD MANUF (4) Bols Wessanen, Northern, Unigate, United Biscuits, HEALTH CARE (1) Scholl, HOUSEHOLD GOODS (1) Reckitt & Colman 9½pc Cnv., INSURANCE (1) Heath (CE), INVESTMENT TRUSTS (27) INVESTMENT COMPANIES (1) Latin Amer. Extra Yld., LEISURE & HOTELS (8) Airtours 6¾pc Prf., Break for the Border, Tring Intl., MEDIA (3) Copyright Promotions, Midland Ind. News., OTHER FINANCIAL (8) King & Shaxson, MAI, Secure Trust, Sharelink, Towry Law, OTHER SERVS & BUSNS (2) EFG, Photo-Me, PRTNG, PAPER & PACKG (4) Bemrose, Ferguson Intl., Hunters Armley, Parkside Intl., PROPERTY (15) RETAILERS, GENERAL (4) Argos, Asprey, Country Casuals, Essex Furniture, SUPPORT SERVS (7) ACT, BSM, Dudley Jenkins, JBA, Macro 4, McDonnell Info, Stat-Plus, TEXTILES & APPAREL (3) Lambert Howarth, Lamont, Readmore, TRANSPORT (4) Eurotunnel Uts., Do. Wrts. 1998, Tibbett & Britten, Transport Dev., AMERICANS (9).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had another troubled day, but volume improved and there was evident relief when the long rumoured big stock loss trade did not materialise.

The FT-SE December contract spent most of the day following rather than driving the cash market, moving down to a low point of 2,987 around 1pm before recovering to close at 3,009.

At this level the contract sells at a premium to the cash market of around nine points, with the fair value premium extending to 18.4 points.

The locals - independent traders - made a number of testing runs when the contract dipped below 3,000 but dealers said the market showed a surprising degree of resilience.

There was a suggestion from major specialist that the futures market might now be close to some sort of base, given its goodish volume yesterday which included occasional flashes of genuine business.

The day saw 15,546 contracts, up from 12,700 on Friday and an average for last week of less than 13,000.

Traded option volume was 39,507 lots, against 42.979 in previous session. FT-SE and Euro-FT-SE volume combined fell just short of 22,000 lots.

The most actively traded individual stock options were Hanson with 1,771 lots, Argyll Group with 1,550 and British Steel with 1,330.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3025.0	3009.0	-34.0	3032.0	2987.0	16295	52533
Mar	3019.0	3033.5	-34.5	3038.5	3019.0	1130	975

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3525.0	-30.0			0	3369

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3,525.0					0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3002) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Oct	161	14½	121½	24	82½	38½	55	61½	33½	89	18½	124	9½	164	5	210
Nov	180	30	147½	43	113½	59	84½	80½	61	107	40½	137½	27½	175	17½	216
Dec	200½	45	165½	86	135½	80	107½	100	83½	126	61½	154½	45	188½	30½	225
Jan	226	62	189½	75	160	94½	130	113½	104	138	81½	160	82	197½	47½	233½
Jun†			253½	109			193	147			147½	200½			106	261½

Calls 4,819 Puts 13,054

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Oct	183	11½	141	19½	101½	30	69	47	43	71	25	102½	14½	142	8½	183½
Nov	203	23½	164½	35	129½	49½	99	86	72½	91½	51	119½	34	152	21½	189
Dec	218	37½	183	51	149½	67	120	86½	93	109	71	138	52	186½	36	199½
Mar	265	63			198½	93			142½	134			97	186		
Jun†	306	84			242	116			185½	155			136½	201½		

Calls 1,365 Puts 3,625 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3850	3900	3950	4000	4050	4100	4150	4200
Oct	87½ 47¾	61½ 71¼	41 100¾					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,200	334½	-1½
ASDA Group†	11,000	62	+½
Abbey National†	2,200	383	-7
Albert Fisher	856	47	-2
Allied Domecq†	992	570	-5
Anglian Water	303	536	-4
Argos	389	318	-4
Argyll Group†	6,800	265	-3
Arjo Wiggins†	3,600	266	
Assoc. Brit. Foods†	244	516	-14
Assoc. Brit. Ports	276	257	-1
BAA†	1,300	479	-4
BAT Inds.†	1,700	414	-2
BET	2,800	104	-1
BICC	1,400	359	-7
BOC†	928	698	-18
BP†	7,500	401	+3
BPB Inds.	1,800	297	-5
BT†	4,600	386½	-8
BT (F/Paid)	2,200	248½	-8
BTR†	4,000	312½	-½
Bank of Scotland†	891	204	-1½
Barclays†	2,300	558	-3
Bass†	1,300	523	-17
Blue Circle†	1,000	275	-1
Booker	418	406	-17
Boots†	1,300	530½	+4½
Bowater†	2,300	460	-13
Brit. Aerospace†	1,000	464	-1
British Airways†	1,700	371	-2
British Gas†	5,200	281	-8½
British Land	718	380	
British Steel†	7,900	162½	-2
Bunzl	1,400	170	+5
Burmah Castrol†	135	869	-9
Burton	5,200	58	-1
Cable & Wire†	3,200	399	-7
Cadbury Schweppes†	3,200	455	-5
Caradon†	1,000	276	+1
Carlton Comms.†	694	814	-3
Coats Viyella	2,300	198	+½
Comm. Union†	128	494	-4
Cookson	1,400	232	-1
Courtaulds†	1,600	454	-8
Dalgety	257	429	
De La Rue†	298	906	-6
Dixons	538	192	
Eastern Elect.†	1,900	743	-20
East Midland Elect.	1,300	728	-21
Eng China Clays	618	353	-10¾
Enterprise Oil†	669	380	-7
Eurotunnel Units	1,800	250	-16
FKI	118	169½	
Fisons	320	116	-1
Foreign & Col. I.T.	393	133	-2½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Sep 26	Day's chge%	Sep 23	Sep 22	Sep 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2999.8	-0.9	3028.2	3021.2	3014.6	3026.3	4.21	7.27	16.23	104.76	1135.98
FT-SE Mid 250	3521.4	-1.1	3560.8	3562.1	3570.1	3437.1	3.54	5.62	20.70	98.05	1310.76
FT-SE Mid 250 ex Inv Trusts	3522.4	-1.1	3561.0	3564.6	3572.5	3450.5	3.70	6.29	19.29	101.59	1308.15
FT-SE-A 350	1013.8	-1.0	1528.7	1528.1	1524.4	1515.8	4.05	6.94	17.09	50.39	1172.00
FT-SE SmallCap	1834.12	-0.5	1844.06	1846.45	1855.13	1763.84	3.22	4.73	26.54	43.71	1422.71
FT-SE SmallCap ex Inv Trusts	1806.93	-0.5	1815.83	1818.65	1828.31	1764.34	3.41	0.24	24.29	44.96	1405.43
FT-SE-A ALL-SHARE	1505.22	-0.6	1616.58	1617.35	1016.33	1502.69	3.89	6.77	17.56	49.06	1185.26

■ FT-SE Actuaries All-Share

	Sep 26	Day's chge%	Sep 23	Sep 22	Sep 21	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2546.01	-0.8	2566.24	2569.42	2562.69	2305.60	3.48	5.17	24.45	81.42	1064.84
12 Extractive Industries(4)	3962.07	-0.6	4016.15	4009.61	3960.60	3235.90	3.22	5.15	24.04	98.24	1098.72
15 Oil, Integrated(3)	2575.13	-0.7	2593.56	2597.83	2617.00	2241.50	3.66	5.84	21.33	85.60	1059.15
16 Oil Exploration & Prod(11)	1889.93	-0.9	1807.49	1916.89	1932.74	1884.70	2.20	‡	‡	36.03	1093.46
20 GEN MANUFACTURERS(266)	1882.58	-0.6	1898.97	1893.36	1886.14	1860.90	4.05	5.12	23.60	61.34	959.67
21 Building & Construction(33)	1067.49	-0.9	1077.37	1077.23	1074.41	1162.90	3.67	5.03	26.22	28.16	834.81
22 Building Matls & Merchs(32)	1845.58	-0.5	1854.96	1846.67	1813.06	1834.90	4.00	4.97	24.59	55.15	868.50
23 Chemicals(23)	2362.17	-1.0	2387.15	2402.40	2405.74	2206.50	3.92	4.34	28.96	76.13	1046.69
24 Diversified Industrials(18)	1782.91	-0.5	1792.12	1788.54	1765.21	1836.50	5.14	5.22	23.03	80.60	915.84
25 Electronic & Elect Equip(34)	1886.41	-1.4	1812.66	1899.34	1900.32	2175.50	3.99	6.68	17.82	57.28	922.47
26 Engineering(70)	1610.25	-0.7	1623.01	1613.85	1603.88	1660.60	3.16	4.94	23.95	45.23	1034.42
27 Engineering, Vehicles(12)	2268.01	-0.8	2287.36	2278.36	2282.93	1890.90	4.41	2.71	50.51	73.39	1098.96
28 Printing, Paper & Pckg(26)	2807.98	-0.8	2829.43	2833.39	2827.89	2425.90	3.05	0.34	21.91	70.70	1105.03
29 Textiles & Apparel(20)	1591.51	-0.5	1600.58	1603.58	1624.83	1858.80	4.22	8.90	17.74	46.49	899.68
30 CONSUMER GOODS(97)	2672.99	-1.0	2701.87	2698.49	2690.25	2752.80	4.45	7.62	15.15	102.06	922.17
31 Breweries(17)	2175.62	-1.4	2206.28	2199.68	2192.31	2042.80	4.35	7.87	15.44	81.03	874.59
32 Spirits, Wines & Ciders(10)	2760.21	-0.1	2763.57	2743.08	2761.07	2658.00	4.04	7.04	16.35	89.99	925.31
33 Food Manufacturers(23)	2252.02	-1.3	2281.61	2284.70	2299.23	2300.20	4.31	8.35	13.85	76.31	946.55
34 Household Goods(13)	2352.85	-4.9	2474.79	2447.51	2458.96	2576.90	3.83	7.71	16.53	56.79	839.95
36 Health Care(21)	1652.22	-0.4	1659.65	1664.00	1659.38	1714.60	3.03	3.27	43.02	36.33	955.42
37 Pharmaceuticals(12)	2943.97	-1.2	2980.92	2987.02	2950.14	3075.90	4.47	7.27	15.92	125.16	941.95
38 Tobacco(1)	3473.08	-0.5	3489.86	3489.86	3456.30	4079.10	6.25	9.90	10.85	217.07	792.24
40 SERVICES(221)	1880.34	-0.7	1892.71	1891.89	1895.89	1886.50	3.28	8.44	18.71	47.41	923.02
41 Distributors(31)	2495.10	-0.4	2506.02	2482.28	2503.21	2685.00	3.66	7.17	16.46	67.72	862.98
42 Leisure & Hotels(25)	2053.17	-0.1	2054.97	2028.77	2011.06	1928.30	3.40	4.74	24.94	59.48	1013.00
43 Media(39)	2754.82	-0.7	2773.74	2757.87	2764.20	2532.10	2.52	5.45	21.35	65.94	957.33
44 Retailers, Food(16)	1675.70	-1.5	1701.75	1780.73	1800.84	1734.20	3.86	9.60	13.01	51.58	1003.31
45 Retailers, General(45)	1622.64	-0.3	1627.39	1018.87	1607.93	1667.00	3.24	6.68	18.87	37.89	865.55
48 Support Services(41)	1503.98	-0.7	1514.69	1017.34	1535.87	1627.40	2.80	0.43	18.37	31.20	613.92
49 Transport(16)	2211.25	-1.1	2234.96	2217.84	2218.79	2264.30	3.80	5.72	20.26	56.81	868.18
51 Other Services & Business(8)	1269.12	-0.4	1274.68	1281.87	1292.14	1270.90	3.69	2.31	76.41	23.00	1067.83
60 UTILITIES(36)	2339.82	-1.7	2380.52	2384.36	2376.11	2340.90	4.50	8.08	16.10	73.42	901.30
62 Electricity(17)	2454.86	-2.1	2507.57	2534.54	2541.22	2022.00	3.73	10.02	11.91	83.46	1020.88
64 Gas Distribution(2)	1933.61	-2.6	1986.47	2037.19	2018.01	2170.80	6.20	‡	‡	66.79	883.67
66 Telecommunications(4)	1932.90	-1.6	1964.61	1939.62	1921.76	2116.80	4.27	8.14	14.96	50.22	824.14
68 Water(13)	1825.99	+0.2	1822.68	1818.39	1828.77	1869.50	5.32	13.00	8.39	69.35	612.80
69 NON-FINANCIALS(636)	1628.08	-1.6	1643.83	1643.18	1941.27	1618.27	3.86	6.50	18.45	01.01	1101.36
70 FINANCIALS(104)	2109.94	-0.0	2127.77	2113.08	2116.49	2188.70	4.55	9.35	12.41	86.05	838.33
71 Banks(10)	2739.49	-0.5	2754.82	2727.82	2747.79	2654.40	4.40	10.46	10.95	114.94	823.23
73 Insurance(17)	1185.45	-1.6	1167.94	1166.20	1177.39	1454.30	6.47	9.96	11.47	53.65	813.44
74 Life Assurance(6)	2275.98	-2.4	2332.81	2343.77	2321.74	2654.90	5.62	8.41	14.40	126.11	880.10
75 Merchant Banks(6)	2923.79	-0.6	2941.79	2963.02	2999.46	3016.70	3.55	11.30	10.31	84.35	881.80
77 Other Financial(24)	1651.38	-1.0	1669.75	1670.47	1681.10	1783.60	3.91	8.47	14.07	83.16	892.84
79 Property(41)	1460.90	-0.7	1471.87	1453.75	1443.31	1594.50	4.13	4.29	29.49	39.80	834.31
80 INVESTMENT TRUSTS(124)	2746.33	-1.1	2776.65	2770.18	2772.05	2547.90	2.24	1.96	51.51	51.99	923.13
89 FT-SE-A ALL-SHARE(866)	1505.22	-0.6	1018.58	1517.35	1018.33	1502.69	3.89	8.77	17.56	49.06	1185.26

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3017.1	3004.4	3012.5	2997.5	2989.8	2989.6	2989.3	2996.9	3002.8	3017.3	2987.8
FT-SE Mid 250	3551.8	3543.4	3542.4	3529.6	3522.1	3518.7	3518.2	3519.6	3522.5	3551.8	3517.8
FT-SE-A 350	1523.5	1517.6	1520.8	1513.7	1508.8	1508.7	1509.4	1512.5	1514.7	1523.6	1508.8

Time of FT-SE 100 Day's high: 8.31am Day's low: 1.16pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1014.1	1013.0	1013.6	1006.0	1005.8	1003.9	1004.1	1004.3	1006.3	1006.3	1018.7	-12.4
Pharmaceuticls	2942.2	2918.9	2938.6	2921.5	2915.5	2916.9	2916.2	2924.1	2918.4	2915.9	2953.1	-37.2
Water	1817.0	1810.6	1815.9	1912.6	1808.0	1805.3	1802.1	1807.8	1823.7	1823.2	1018.0	+3.4
Banks	2784.4	2779.9	2787.0	2779.3	2769.6	2767.5	2768.3	2772.4	2776.1	2773.1	2788.5	-15.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. ‡ Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Domecq	540	37½	–	–	4	–	–
(*570)	588	8½	–	–	25½	–	–
Argyll	260	13½	21	27½	6½	15	19½
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	220	17	20½	22½	4	8	10½
(*231)	240	8½	9½	13	14	19	21
Lasmo	134	21½	–	–	3	–	–
[illegible]							
Brit Aero	460	27	44	51½	24½	33	43
(*463)	500	12	27	34	51	58	67
BAT Inds	390	35½	40	53	7	12	21½
(*414)	420	17	30	35	18½	25	38
BTR	300	24	32½	37	6	11	18½
(*314)	330	6½	16½	22½	21	26	33
Brit Telecom	360	16	24	31	8½	17	20
(*386)	390	6	11	17	26	36½	38½
Cadbury Sch	420	44½	54	58	3½	7½	14½
(*455)	460	17	28	34½	17	23½	32
Eastern Elec	700	64	82	85	13½	26½	35
(*744)	750	34	54½	60	34½	48	57½
Guinness	420	38½	50	55	0	10½	16½
(*453)	460	14½	25½	31½	22½	27½	36
GEC	280	14½	19	25	8	13	16
(*283)	300	5½	10	19	20	24½	27

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Fisons	110	16	14	17	1	5½	7
(*118)	120	1½	8	12	3½	10½	12½

Option		Calls			Puts		
Tarmac	140	8½	14½	20½	1	9	11½
(*146)	160	1	6	11½	10	22½	24
Thorn EMI	950	58½	75½	89½	1	16½	29
(*985)	1000	6	46	60	11	36	51½
TSB	200	14	21½	26	1	6½	12
(*212)	220	1	10½	15	16	16	22½
Tomkins	200	8½	17½	23	1	7½	12
(*206)	220	1	8½	13½	16	19	23½
Wellcome	650	31	60½	79	1½	25	35½
(*677)	700	2	33½	54	26	40	60½

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Glaxo	550	34½	55½	68½	19½	23	34½
(*571)	600	9½	30½	41½	37	50	61½
HSBC 75p shs	650	60	84½	100	–	7½	25
(*698)	44	28½	55½	73½	27½	46½	68½
Reuters	462	19	–	–	12½	–	–
(*484)	475	12½	–	–	20½	–	–

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Rolls-Royce	160	22	26½	29½	3	6	9
(*178)	180	6½	14½	10	10½	14½	16½

* Underlying security price. Premiums shown are based on closing offer prices. September 26, Total contracts: 39,330 Calls: 14,101 Puts: 25,229

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	37	27
Other Fixed Interest	3	8	4
Mineral Extraction	76	41	79
General Manufacturers	54	265	328
Consumer Goods	19	70	101
Services	57	167	273
Utilities	4	29	12
Financials	69	118	178
Investment Trusts	21	216	228
Others	30	49	24
Totals	336	1,004	1250

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Alliance Res, Aran Energy, Argyll, Brit Biotech Wts, Bulgin A, BT (pp), Cons Murch, Etam, Johnson Fry, Magnum Power, Middlesex Hldgs, Regent Corp, Utd Energy. Puts: Middlesex Hldgs. Puts & Calls: Bulgin A, Cons Murch.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	18.1	102	95	Beacon Inv Tst	95		-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
§125	F.P.	16.6	100	123	Compel	123		WN4.0	2.1	4.1	11.9
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	62	61	Emerging Mkts C	61		-	-	-	-
120	F.P.	21.4	120	118	Independent Parts	120	+1	LN4.0	2.1	4.2	14.5
180	F.P.	18.6	195	180	Mackie Intl	195		RN6.0	2.2	3.8	8.8
80	F.P.	24.1	85	76	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.39	44	27	Suter Wrts 99/04	29		-	-	-	-
-	F.P.	115.0	379	372	Templeton E New	372	-3	-	-	-	-
-	F.P.	12.5	212	192	Do. Wrts. 2004	202	-2	-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/18	59pm	15pm	Commercial Union	21pm	-3
360	Nil	21/10	48pm	13pm	EMAP	13pm	
160	Nil	17/10	9pm	2pm	Jermyn Inv.	2pm	-5
252	Nil	11/11	34pm	7½pm	Wer	7½pm	-5

FINANCIAL TIMES EQUITY INDICES

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20	Yr ago	*High	*Low
Ordinary Share	2331.4	2347.2	2340.2	2337.6	2358.3	2321.6	2713.6	2240.6
Ord. div. yield	4.41	4.37	4.38	4.40	4.36	4.01	4.46	3.43
Earn. yld. % full	6.35	6.30	6.34	6.30	6.25	4.72	6.34	3.92
P/E ratio net	17.38	17.51	17.20	18.94	17.67	27.07	33.43	16.94
P/E ratio nil	17.64	17.76	17.67	17.51	17.09	24.96	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2345.3	2334.6	2341.5	2330.7	2326.0	2326.2	2324.5	2331.3	2333.3	2345.8	2323.7

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20	Yr ago
SEAQ bargains	24,526	23,514	23,263	24,511	24,355	27,944
Equity turnover (£m)†	-	1159.9	1337.6	1355.8	1333.8	1249.2
Equity bargains†	-	27,947	26,204	27,107	27,071	30,838
Shares traded (ml)†	-	509.4	489.0	475.9	498.4	467.1

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Sep 23	% chg on day	Sep 23	Sep 21	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	2331.42	+2.4	2276.03	2260.51	1703.41	1.90	2367.40	1573.93
■ Regional Indices								
Africa (16)	3543.16	+3.1	3437.36	3487.98	2209.16	3.90	3487.98	2209.19
Australasia (8)	2923.29	+3.1	2835.09	2778.97	1860.25	1.78	3013.89	1829.55
North America (11)	1887.76	+1.9	1853.21	1822.68	1536.87	0.70	2039.65	1460.45

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Sep 26: 287.7 ; day's change: +2.0 points; Year ago: 180.6 † Partial. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Pf		£20⅞	-⅜	£25¼	£20½	6,242	3.8	ϕ
ANZ A$		183	—	278¼	178¼	2,435	5.1	37.8
Abbey National	†N□	393xd	-7	523	381	6,025	6.1	12.9
Allied Irish E	‡†N□	238xd	-8	314	233	1,640	0.4	6.6
Anglo Irish E	N□	57	—	70	50	196.2	7.5	10.4
Asahi Y		708	+14¼	319¼	628	19,429	0.6	ϕ
Banco Bil Viz Fin		£15⅝	-⅛	316¼	314½	3,593	5.4	6.8
Banco Sant Pts		£28¼	—	£30½	£23¼	3,948	5.5	9.1
Bk Ireland E	‡N□	273	-5	319	240	1,230	4.8	7.9
Bank Scotland	‡N□	204	-1½	247	172½	2,380	3.1	15.7
9¼pc Pf		111½	—	141½	111	111.5	10.4	–
9¾pc Pf		118¾	—	148½	119	119.8	10.4	–
Barclays	‡†N□	558xd	-3	640	467	9,061	3.7	10.7
Dai Ichi Kan Y		£11½	+⅛	£12⅝	310⅜	95,544	3.8	–
Deutsche DM		£285⅛	-6⅛	£344¼	£270⅛	13,578	2.4	–
Espirito Santo		98⅜	-⅝	£13⅛	98⅜	186.8	4.4	4.4
First Nat Fin	N□	74	—	90	60	124.9	2.8	–
6.3pc Cv Pf		70	—	90	70	5.11	10.4	–
7pc Cv Pf		134	—	177	123	63.6	6.5	–
Fuji Bank Y		1379¼	+2¼	1540¼	1152½	38,858	6.4	ϕ
HSBC HK	†N□	718xd	-5	1133	680	12,686	4.3	10.4
HSBC (75p Shs)	†N□	698xd	-5	1113	660	5,933	4.4	10.1
Lloyds	†N□	539xd	-4	680	519	6,941	5.4	13.0
Mitsubishi Y		315⅜	-⅛	£18⅜	315⅜	45,452	6.2	ϕ
Mits 1st & Bk Y		985¼	-2¼	1102¼	887½	11,887	3.8	15.1
Mitsui Tst & Bk Y		701½	+8½	879	514	8,405	6.8	23.3
Nat Aust A$	†	485	+5	639¼	479	6,505	5.7	10.3
NatWest	†N□	477xd	—	592	421	7,942	5.1	3.0
Ottomane FFr		£21¼	—	633	£21¼	168.8	6.7	ϕ
Ryl Bk Scotland	‡†N□	422	+8	528	377½	3,380	3.6	19.1
Sakura Y		98½	-½	99⅜	98¼	28,161	3.0	51.8
Sanwa Y		312⅜	+⅛	£16¼	£11⅞	38,914	0.5	–
Standard Chartd	†N□	284½xd	-1½	359¼	223	2,445	2.1	8.7
7 3/8pc Pf		83xd	—	108½	82¼	83.0	11.1	–
Sumitomo Y		311⅛	-⅛	216¼	£11½	97,444	3.8	25.1
Sumitomo Tst Y		318¼	+11	1148½	625	11,427	0.6	ϕ
TSB	†N□	311xd	-3	297	197	3,230	4.8	10.8
Tokai Y		£7⅜	+⅛	99	284½	16,078	0.7	48.6
Toyo Tst & Bk Y		698¼	-2	852	580¼	8,498	0.7	60.9
Westpac A$		216	—	303	194	3,913	2.8	ϕ
Yasuda Tst Bk Y	‡	829¼	-2¼	888	442	6,839	3.0	46.1

BREWERIES

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	3¼	—	10¼	3¼	12.1	–	–
Bass	†N□	523	-17	618	485	4,580	5.8	13.7
Boddington	†N□	280xd	-1	298	250	319.4	4.8	17.8
Burtonwood	K	192	—	198	168	38.9	3.6	18.6
Eldridge Pope 4	‡†N	168	—	181	142	30.8	2.9	21.9
Fosters A$		53	—	80	46¾	1,706	3.6	ϕ
Fuller ST4	‡‡N	389	—	483	389	81.4	2.4	16.5
Gibbs Mew	‡‡qN	430xs	+15	430	348¼	47.0	2.6	ϕ
Greenalls	‡†N□	429	-2	611	399	896.6	3.1	16.4
Greene King	N□	314	—	594	452	317.4	3.1	14.3
Grosvenor Inns	‡‡N	143xd	—	195	194	19.0	4.2	ϕ
Hall (J)	†N	3675	—	3773	3125	110.2	1.7	20.6

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£29¾	—	£30	£13½	1,907	2.5	21.4
Barlow	£4⅛	—	£5⅛	£3⅛	814.0	0.8	–
Gold Flds Prop R	118xa	—	128	75	12.1	7.9	ф
NK Props.	68	—	95	68	3.42	14.2	ф
SASOL	458	—	500	280	2,819	2.8	–
SA Brews	£11⅞	—	£15⅞	£10	3,290	2.3	19.4
Tiger Oats	613	—	838	538	921.0	2.8	12.9
Tongaat-Hulett	602	—	*810½	356¼	548.7	2.1	16.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service Delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ)* and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ From annual/interim report available, see details below.
- ♣ *USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◊ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend *yield after scrip issue.*
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u *Forecast, or estimated* annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other *official estimates.*
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code **FT4935**. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Aug 31	770.8	787.0	—	0.80
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1000 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	55.53	57.48	—	3.4
Income Plus	46.84	47.88	—	7.3
CAF – Charity Money Management				
40 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	70.89	72.78	-1.28	4.25
Income	56.86	57.02	-0.31	6.92
CIS Unit Trust Managers Ltd				
Co-op Bank Linked Ex Sep 13	[illegible]	[illegible]	—	3.37
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AD 071-588 1815				
Inv Fund Aug 31	886.80	892.30	—	4.38
Fxd Int Sec Aug 31	148.55	148.85	—	8.74
Deposit Fund: See Money Market Trust Funds				
Chariguard UK Equity Fd/Fixed Int Fd				
10 Fenchurch St, London EC3M 3LB Freephone 0800 716853				
UK Equity Acc Aug 31	10.08	10.17	—	3.30
UK Equity Inc Aug 31	10.08	10.17	—	3.30
Fixed Int Acc Aug 31	9.95	9.97	—	8.08
Fixed Int Inc Aug 31	9.95	9.97	—	8.08
Charinco/Charishare‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	156.9	161.7	+0.40	7.92
Charinco Acc	1097	1109	-3.00	7.92
Charishare Inc	205.9	211.0	+0.30	3.80
Charishare Acc	284.5	290.3	+0.30	3.80
COIF – Charities Official Inv Fd‡				
2 Fore Street, London EC2Y 5AD 071-588 1815				
Income Aug 31	673.96	681.44	—	4.48

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9RS 071-538 9900				
Life Series 2				
Aggressive Pfolio Fund	163.8	173.2	—	—
Balanced Pfolio Fund	449.0	475.1	+0.1	—
Cautious Pfolio Fund	161.5	171.0	+0.4	—
Gilt Fund	147.7	156.3	-0.3	—
European Fund	164.2	173.3	+1.2	—
Far East Fund	150.8	158.8	+0.7	—
Fixed Interest Fund	[illegible]	[illegible]	+0.5	—
International Fund	378.3	400.4	+1.4	—
Money Fund	[illegible]	[illegible]	+0.9	—
N. American Fund	[illegible]	[illegible]	+0.3	—
Property Fund	493.1	521.8	+0.1	—
UK Equity Fund	557.8	590.3	-1.3	—
Swiss Select Invs	85.8	91.0	—	—
Hardwick Tst Fund	107.9	114.7	-0.1	—
Perpetual Mngd Assets Fd	119.2	126.2	+0.1	—
Perpetual Mngd Fd	209.8	222.1	+0.2	—
With Profits Fd	137.1	145.1	—	—
Pension Series 3				
Aggressive Pfolio Fd	152.5	161.2	-0.1	—
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 665000				
Life Funds				
Balanced Investment Accts	172.1	181.1	-0.2	—
Intl Blue Chip Fd Acc	219.2	230.7	-0.5	—

[illegible]

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Scottish Mutual Assurance plc - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pens European Fnd	316.9	333.0	-3.20	-
Pens Far East Fnd	432.8	455.4	-0.40	-
Pens Japanese Fnd	141.0	144.9	-0.03	-
Pens Nth American Fnd	290.0	305.3	+0.10	-
Pens International Fnd	299.0	314.8	-1.00	-
Pens Gilts/Fxd Int Fnd	225.4	237.3	-0.20	-
Pens Index-linked Fnd	170.0	180.5	-	-
Pens Property Fnd	147.3	155.1	+0.10	-
Pens Cash Fund	215.0	227.3	+0.10	-
Pens Holdings Fnd	232.6	244.9	+0.20	-

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 9181

Scottish Provident Institution Funds

Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits	114.0	120.0	+0.1	-
Managed	261.8	275.8	-0.8	-
Blue Chip	138.7	146.1	+0.1	-
Equity	[illegible]	[illegible]	-1.7	-
International	289.4	304.7	-1.7	-
Property	235.2	247.7	+0.1	-
Fixed Interest	205.5	216.6	+0.3	-
Index-linked	171.5	180.6	+0.5	-
Cash	185.9	195.7	-	-
Money Market	122.4	128.9	-	-
Americas Performance	164.0	172.7	-0.4	-
Europe Performance	126.3	133.0	+0.3	-
Far East Performance	136.8	144.1	-0.2	-
Worldwide Performance	162.5	180.8	-0.2	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits Ord	216.1	227.5	+0.2	-
Managed Ord	326.4	343.7	-1.6	-
Blue Chip Ord	145.4	153.2	+0.2	-
Equity Ord	[illegible]	356.8	-1.8	-
International Ord	360.9	380.0	-1.0	-
Property Ord	302.0	310.0	+0.1	-
Fixed Interest Ord	289.5	304.8	-0.4	-
Index-linked Ord	189.4	199.4	+0.2	-
Cash Ord	261.3	275.1	+0.1	-
Building Society Ord	198.0	208.5	+0.1	-
American Performance Ord	191.3	201.4	-0.4	-
Europe Performance Ord	122.0	129.2	-0.3	-
Far East Performance Ord	157.8	166.2	-0.3	-
Worldwide Performance Ord	169.0	178.0	-0.5	-

Scottish Provident Assurance Unit Funds

[illegible]

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Acc.	881.3	927.7	+2.7	-
Property Acc.	319.8	336.7	+2.0	-
Equity Acc.	1402.0	1475.9	+10.9	-
Fixed Interest Acc.	372.1	391.7	-1.4	-
Cash Acc.	307.7	323.9	+0.1	-
International Acc.	629.2	639.8	-0.2	-
Distribution	274.2	288.7	+0.1	6.06
American Equity Acc.	339.1	357.0	-1.4	-
Far Eastern Acc.	659.7	643.0	-1.5	-
Index-Linked Acc.	192.6	201.4	-0.1	-
Japan Acc.	330.2	347.6	+0.2	-
Pacific Acc.	386.7	407.1	-0.9	-
European	193.3	203.6	-1.5	-
Anniversary Bond	148.9	-	-0.9	-
Cash Distribution	167.6	170.2	-0.4	-

Sun Life Pensions Management Ltd

(Funds for individual pension contracts)

	Bid Price	Offer Price	+ or -	Yield Gross
Pens. Managed Acc.	1149.8	1210.4	-0.8	-
Pens. Property Acc.	341.8	359.8	-	-
Pens. Equity Acc.	1785.8	1879.8	+4.1	-
Pens. F. Interest Acc.	462.2	486.6	-1.8	-
Pens. Cash Acc.	417.4	439.4	+0.2	-
Pens. Internat. Acc.	706.9	744.2	-0.4	-
Pens. Amer. Equity Acc.	[illegible]	[illegible]	-1.8	-
Pens. Far Eastern Acc.	1521.0	1601.1	-2.7	-
Pens. Ind. Lnkd. Acc.	216.2	[illegible]	-4.1	-
Pens. Japan Acc.	370.1	[illegible]	+0.7	-
Pens. Pacific Acc.	[illegible]	[illegible]	-1.2	-
Pens. Euro. Acc.	215.6	227.0	-1.8	-
Pens. Bldg Soc	170.6	180.0	+0.2	-
Pens. Retirement Dist.	144.2	151.8	-0.3	-

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

Group Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Equity Managed	[illegible]	613.47	-	-
Fixed Int Managed	[illegible]	319.79	-	-
Mixed Managed	[illegible]	[illegible]	-	-
Cash Managed	[illegible]	[illegible]	-	-
International Mngd	[illegible]	[illegible]	-	-
Europe Managed	[illegible]	147.30	-	-
Index Tracking Mngd	144.43	146.85	-	-

Individual Pension Funds

[illegible]

Century Life International Ltd - Contd.

[illegible]

DBS Financial Management Ltd

[illegible]

Lazard Fund Mngrs - Contd.

[illegible]

Dresdner Intl Management Services Ltd

[illegible]

Morgan Grenfell Fixed Income Funds Plc

[illegible]

John Govett (Channel Islands) Ltd (1000)F

[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co Ltd

[illegible]

MANAGEMENT SERVICES

Capital Trust Financial Management

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. c Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. ε Previous day's price. §§ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark softens

Tha D-Mark was weaker against the dollar, the pound and the Swiss franc yesterday as markets took cover following electoral results in the state of Bavaria, *writes Motoko Rich*.

The failure of the Free Democrats, Chencellor Helmut Kohl's junior partner, to achieve the 5 per cent vote necessary for a place in the state parliament unsettled market expectations for the October 16 German federal poll.

Such nervousness allowed the dollar to rise against the D-Mark, while growing market acceptance of e likely compromise in the US-Japan trade talks elso gave the US currency a boost against the yen.

In London the dollar finished at DM1.5551, up from a Friday close of DM1.5443. Against the yen, it closed at Y98.70, up from 97.7050.

Sterling was also firmer against the D-Mark, though slightly weaker against the dollar. Against the D-Mark, the pound closed at DM2.4482 from DM2.438. Against the dollar, it finished in London at $1.5743 from $1.5788.

The lira made gains against the D-Mark in late trading as Prime Minister Silvio Berlusconi and leaders of his coalition parties reached an accord on the shape of Italy's 1995 deficit-cutting budget.

■ The Free Democratic party, the junior partner in Mr Kohl's government, only achieved 2.8 per cent of the Bavarian vote, far short of the 5 per cent needed to guarantee it a place in the state parliament.

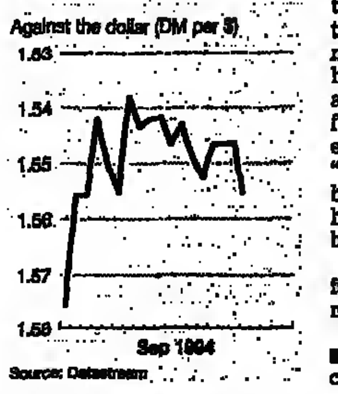
Markets were spooked by this result because it foreshadowed the federal poll next month, when a similar setback for the FDP could force Mr Kohl'a Christian Democratic Union to forge a coalition with the Social Democratic party, e prospect the markets do not favour.

The D-Mark was generally softer against other European currencies. Against the Swiss franc, it closed in London et SFr0.828 from SFr0.831. Against the French franc, it finished et FFr3.417 from FFr3.419.

Mr Steve Hannah, economist at IBJ, noted that most national polls are showing the FDP with 8.5 per cent support for its bid to join the national parliament. "So no one is panicking yet," he said.

D-Mark

Against the dollar (DM per $)



Source: Datastream

■ **Pound in New York**

Sep 26	—Latest—	– Prev. close –
£ spot	1.5740	1.5785
1 mth	1.5736	1.5780
3 mth	1.5719	1.5744
1 yr	1.5582	1.5595

■ The weakness of the D-Mark helped the dollar to turn in a feirly strong performance. Against the yen, it breached the Y98.50 level for the first time in a week.

Although analysts were reluctant to pinpoint any one factor as the motivation for the dollar's improvement, Mr Hannah said the markets were beginning to realise thet trade negotiations between the US and Japan do not hinge on this Friday's deadline.

"The markets are beginning to realise that even if the Japanese are named for engaging in unfair practices in some areas it would not necessarily mean e wholesale trade war or that the US will start talking the dollar down," he said.

Today'a meeting of the FOMC, the policy-making arm of the US federal reserve, should provide most of the focus for the foreign exchange markets, as expectations are divided on a possible interest rate rise.

■ Sterling continued its firming trend against the D-Mark, piercing the resistance level of DM2.45 early in the day. Although it has not yet consolidated its gains, analysts believe it will move upwards.

The markets are bullish on the pound dua to confidence in the monetary policy of Mr Kenneth Clarke, chancellor. "He has never denied the idea of another base rate rise in the future," said Mr David Cocker, economist at Chemical Bank. "That is seen as very positive by the markets, especially as he gives the impression of being mildly pre-emptive."

He said the pound's slight fall against the dollar was primarily a result of profit-taking.

■ The lira was boosted by a coalition agreement in Italy over the 1995 budget. Though no details were revealed, the tona of the announcement suggested the government intended to shape the budget to cut the deficit.

Against the D-Mark, the lira finished et L1006 from L1009, and was trading as high as L1004.5 after the close of the London markets.

■ Canadian short term forward interest rates fell against US rates for the first time since 1984, demonstrating the market confidence in the Canadian dollar.

Since the Quebec election, when Bloc Quebecois, the party which promotes the separatist cause, won by an unexpectedly narrow margin, the markets have been shrugging off tha risk of Quebec's secession from Canada, giving a boost to the Canadian dollar and allowing the markets to discount lower rate rises.

■ The UK December short sterling contract finishad unchanged et 93.19, discounting e short-term interest rate of 6.81 per cent.

In the UK money markets, the Bank of England provided liquidity of £561 after revising its shortage forecast to £550. Ovarnight rates tradad between 2 and 5 per cent.

German call money was quoted between 4.25 and 4.50 per cent.

■ **OTHER CURRENCIES**

Sep 26	£	$
Hungary	171.031 - 171.284	108.660 - 108.780
Iran	2756.00 - 2759.00	1749.00 - 1750.00
Kuwait	0.4673 - 0.4688	0.2968 - 0.2977
Poland	36446.0 - 36498.2	23155.0 - 23180.0
Russia	3880.20 - 3884.90	2452.00 - 2455.00
U.A.E.	5.7747 - 5.7863	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2292	+0.0689	219 - 364	17.2655	17.1288	17.2248	0.3	17.213	0.4	-	-	114.9
Belgium	(BFr)	50.3776	+0.1891	365 - 187	50.4400	50.2380	50.3676	0.2	50.4126	-0.3	49.9326	0.9	116.5
Denmark	(DKr)	9.8107	+0.0226	077 - 137	9.8402	9.5727	9.8155	-0.6	9.8298	-0.8	9.8441	-0.3	116.4
Finland	(FM)	7.7228	-0.0209	145 - 311	7.8000	7.7030	-	-	-	-	-	-	85.9
France	(FFr)	8.3643	+0.0277	611 - 674	8.3757	8.3492	8.3641	0.0	8.3599	0.2	8.2893	0.9	110.0
Germany	(DM)	2.4482	+0.0102	473 - 491	2.4588	2.4425	2.4478	0.5	2.444	0.7	2.4098	1.6	125.8
Greece	(Dr)	372.873	-6.712	723 - 023	373.551	371.818	-	-	-	-	-	-	-
Ireland	(I£)	1.0122	+0.0004	115 - 129	1.0178	1.0110	1.0121	0.2	1.0128	-0.1	1.0161	-0.3	105.1
Italy	(L)	2462.60	+1.33	134 - 386	2467.54	2460.44	2468.5	-2.9	2478.9	-2.6	2527.1	-2.6	75.4
Luxembourg	(LFr)	50.3776	+0.1891	365 - 187	50.4400	50.2380	50.3676	0.2	50.4126	-0.3	49.9326	0.9	116.5
Netherlands	(Fl)	2.7428	+0.0106	418 - 437	2.7484	2.7376	2.7417	0.5	2.7398	0.8	2.7011	1.5	120.5
Norway	(NKr)	10.7179	+0.0261	142 - 216	10.7478	10.6805	10.7177	0.0	10.7199	-0.1	10.7223	0.0	95.7
Portugal	(Es)	249.464	+0.364	337 - 590	249.954	248.802	251.194	-8.3	254.374	-7.9	-	-	-
Spain	(Pta)	202.715	+0.497	637 - 793	203.060	202.482	203.1	-2.3	203.85	-2.2	206.16	-1.7	85.8
Sweden	(SKr)	11.7800	-0.0138	716 - 861	11.8584	11.7316	11.789	-1.9	11.8465	-2.3	12.06	-2.4	76.2
Switzerland	(SFr)	2.0265	+0.0002	257 - 273	2.0345	2.0247	2.0239	1.6	2.0179	1.7	1.9784	2.5	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2831	+0.0054	826 - 836	1.2838	1.2792	1.2834	-0.3	1.2835	-0.1	1.2784	0.4	-
SDR†	-	0.931805	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5744	-0.004	740 - 748	1.5777	1.5737	-	-	-	-	-	-	-
Brazil	(R)	1.3555	+0.0049	536 - 573	1.3578	1.3516	-	-	-	-	-	-	-
Canada	(C$)	2.1207	-0.0018	199 - 215	2.1225	2.1154	2.1201	0.3	2.1179	0.5	2.1066	0.7	87.8
Mexico	(New Peso)	5.2779	-0.0869	729 - 828	5.3389	5.2555	-	-	-	-	-	-	-
USA	($)	1.5743	-0.0045	740 - 746	1.5777	1.5735	1.5738	0.4	1.5722	0.5	1.5568	1.1	62.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1269	-0.0108	262 - 276	2.1278	2.1154	2.1269	0.0	2.1282	-0.2	2.1463	-0.9	-
Hong Kong	(HK$)	12.1656	-0.0346	626 - 684	12.1906	12.1599	12.1616	0.4	12.1605	0.2	12.1675	0.0	-
India	(Rs)	49.3819	-0.1416	685 - 952	49.4850	49.3610	-	-	-	-	-	-	-
Japan	(Y)	155.364	+1.132	291 - 476	155.500	153.990	154.964	3.1	154.059	3.4	148.644	4.3	189.7
Malaysia	(M$)	4.0405	+0.0047	389 - 420	4.0470	4.0279	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6119	-0.0069	103 - 134	2.6187	2.6102	2.6152	-1.8	2.6238	-1.8	2.6459	-1.3	-
Philippines	(Peso)	40.2284	-0.1137	583 - 885	40.4528	40.0475	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9044	-0.0168	031 - 057	5.9170	5.9016	-	-	-	-	-	-	-
Singapore	(S$)	2.3410	+0.0036	398 - 422	2.3426	2.3228	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5774	-0.0065	751 - 796	5.5849	5.5694	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6751	-0.1373	580 - 921	6.8282	6.6574	-	-	-	-	-	-	-
South Korea	(Won)	1260.07	-7.19	920 - 094	1268.26	1259.06	-	-	-	-	-	-	-
Taiwan	(T$)	41.2310	-0.1047	444 - 175	41.3182	41.1360	-	-	-	-	-	-	-
Thailand	(Bt)	39.2946	-0.0637	713 - 175	39.3350	39.2700	-	-	-	-	-	-	-

†SDR rates for Sep 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9440	+0.0748	415 - 465	10.9580	10.8325	10.944	0.0	10.9438	0.0	10.869	0.7	104.1
Belgium	(BFr)	32.0000	+0.21	800 - 200	32.0440	31.8540	31.985	0.6	31.98	0.3	32.076	-0.2	105.8
Denmark	(DKr)	6.1046	+0.0316	040 - 055	6.1130	6.1001	6.1098	-1.0	6.1253	-1.3	6.1948	-1.5	104.9
Finland	(FM)	4.9056	-0.0013	012 - 099	4.9490	4.8905	4.9048	0.2	4.9028	0.2	4.9488	-0.9	79.9
France	(FFr)	5.3130	+0.0325	120 - 140	5.3210	5.2930	5.3148	-0.4	5.3175	-0.3	5.3246	-0.2	106.4
Germany	(D)	1.5551	+0.0106	548 - 554	1.5575	1.5480	1.5552	-0.1	1.5546	0.1	1.5479	0.5	106.8
Greece	(Dr)	236.860	-2.85	800 - 900	237.100	236.800	237.125	-1.4	237.675	-1.4	240.225	-1.4	66.9
Ireland	(I£)	1.5554	-0.005	546 - 561	1.5579	1.5490	1.5562	0.1	1.5532	0.5	1.5339	1.4	-
Italy	(L)	1564.25	+5.25	375 - 476	1566.25	1560.20	1568.5	-3.3	1578.75	-3.2	1623.25	-3.8	75.8
Luxembourg	(LFr)	32.0000	+0.21	800 - 200	32.0440	31.9540	31.985	0.6	31.98	0.3	32.076	-0.2	105.8
Netherlands	(Fl)	1.7429	+0.0117	420 - 425	1.7449	1.7370	1.7425	-0.1	1.7428	-0.1	1.736	0.4	105.5
Norway	(NKr)	6.8080	+0.0357	070 - 090	6.8182	6.7705	6.814	-1.1	6.8345	-1.6	6.9066	-1.4	96.0
Portugal	(Es)	158.460	+0.89	410 - 510	158.660	158.080	159.185	-5.5	160.51	-5.2	165.21	-4.3	94.8
Spain	(Pta)	128.765	+0.84	740 - 790	128.860	128.390	129.05	-2.7	129.66	-2.8	132.416	-2.8	80.8
Sweden	(SKr)	7.4827	+0.0123	789 - 864	7.5232	7.4463	7.4972	-2.3	7.5267	-2.5	7.7027	-2.9	80.4
Switzerland	(SFr)	1.2873	+0.0036	870 - 875	1.2905	1.2858	1.286	1.2	1.2836	1.1	1.2695	1.4	108.1
UK	(£)	1.5743	-0.0045	740 - 746	1.5777	1.5735	1.5738	0.4	1.5722	0.5	1.5568	1.1	88.2
Ecu	-	1.2270	-0.0066	267 - 272	1.2308	1.2267	1.2263	0.7	1.2249	0.7	1.2175	0.7	-
SDR†	-	1.46869	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0003	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R)	0.8610	+0.0055	600 - 620	0.8620	0.8590	-	-	-	-	-	-	-
Canada	(C$)	1.3471	+0.0028	468 - 473	1.3558	1.3434	1.347	0.0	1.347	0.0	1.3531	-0.4	84.4
Mexico	(New Peso)	3.3525	-0.045	500 - 550	3.3550	3.3300	3.3535	-0.4	3.3558	-0.3	3.3627	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3510	-0.003	508 - 612	1.3526	1.3483	1.3512	-0.2	1.3519	-0.3	1.3593	-0.6	88.3
Hong Kong	(HK$)	7.7276	-0.0001	272 - 279	7.7276	7.7272	7.7273	0.0	7.7282	0.0	7.7431	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4525	-3.3	31.5875	-2.9	-	-	-
Japan	(Y)	98.7000	+0.995	600 - 400	98.4600	97.8600	98.48	2.7	97.99	2.9	95.465	3.3	151.2
Malaysia	(M$)	2.5665	+0.0102	660 - 670	2.5695	2.5580	2.5573	4.3	2.548	3.2	2.6195	-2.1	-
New Zealand	(NZ$)	1.6591	-0.0009	584 - 598	1.6614	1.6584	1.66	-0.7	1.6619	-0.7	1.6872	-0.3	-
Philippines	(Peso)	25.5500	-	500 - 500	26.8500	25.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7506	3.7504	3.7518	-0.4	3.7559	-0.6	3.7746	-0.6	-
Singapore	(S$)	1.4870	+0.0085	865 - 875	1.4875	1.4725	1.4857	1.1	1.4838	0.9	1.477	0.7	-
S Africa (Com.)	(R)	3.5428	+0.0085	420 - 435	3.5440	3.5325	3.5583	-5.3	3.5888	-4.9	3.6633	-3.4	-
S Africa (Fin.)	(R)	4.2400	-0.075	300 - 500	4.3300	4.2300	4.2737	-9.6	4.3325	-8.7	-	-	-
South Korea	(Won)	800.400	-2.3	000 - 800	802.900	800.000	803.4	-4.5	806.9	-3.2	825.4	-3.1	-
Taiwan	(T$)	26.1900	+0.0075	400 - 400	26.2400	26.1400	26.21	-0.8	26.25	-0.9	-	-	-
Thailand	(Bt)	24.9600	+0.03	500 - 700	24.9700	24.9390	25.0325	-3.5	25.16	-3.2	25.64	-2.7	-

†SDR rate for Sep 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 23. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.61	4.860	2.009	4888	5.444	21.26	495.1	402.4	23.39	4.022	1.985	4.209	3.125	308.3	2.547
Denmark	(DKr)	52.41	10	8.703	2.547	1.053	2562	2.853	11.14	259.5	210.9	12.26	2.108	1.041	2.206	1.638	161.6	1.336
France	(FFr)	60.22	11.49	10	2.927	1.210	2944	3.278	12.80	298.2	242.3	14.08	2.422	1.196	2.535	1.882	185.7	1.534
Germany	(DM)	20.58	3.926	3.417	1	0.413	1006	1.120	4.375	101.9	82.80	4.812	0.828	0.408	0.866	0.643	63.44	0.524
Ireland	(I£)	49.77	9.496	8.265	2.419	1	2433	2.709	10.58	246.4	200.3	11.64	2.002	0.988	2.095	1.555	153.5	1.268
Italy	(L)	2.046	0.390	0.340	0.099	0.041	100.	0.111	0.435	10.13	8.233	0.476	0.082	0.041	0.086	0.064	6.306	0.052
Netherlands	(Fl)	18.37	3.505	3.050	0.893	0.369	897.9	1	3.906	90.95	73.92	4.296	0.739	0.365	0.773	0.574	56.64	0.468
Norway	(NKr)	47.03	8.973	7.810	2.286	0.945	2299	2.560	10	232.9	189.3	11.00	1.892	0.934	1.979	1.470	145.0	1.198
Portugal	(Es)	20.20	3.853	3.354	0.982	0.406	987.2	1.099	4.294	100.	81.28	4.723	0.812	0.401	0.850	0.631	62.27	0.514
Spain	(Pta)	24.85	4.741	4.126	1.208	0.499	1216	1.353	5.284	123.0	100.	5.812	1.000	0.493	1.046	0.777	76.62	0.633
Sweden	(SKr)	42.76	8.158	7.100	2.078	0.859	2090	2.328	9.092	211.7	172.1	10	1.720	0.849	1.800	1.336	131.8	1.089
Switzerland	(SFr)	24.86	4.743	4.128	1.208	0.500	1215	1.353	5.286	123.1	100.0	5.814	1	0.494	1.046	0.777	76.65	0.633
UK	(£)	50.37	9.610	8.364	2.448	1.012	2462	2.742	10.71	249.4	202.7	11.78	2.026	1	2.120	1.574	155.3	1.283
Canada	(C$)	23.76	4.533	3.945	1.155	0.477	1161	1.293	5.052	117.6	95.61	5.557	0.956	0.472	1	0.742	73.25	0.605
US	($)	32.00	6.105	5.314	1.555	0.643	1564	1.742	6.804	158.4	128.8	7.484	1.287	0.635	1.347	1	98.67	0.815
Japan	(Y)	32.43	5.186	5.386	1.576	0.652	1585	1.766	6.896	160.6	130.5	7.585	1.305	0.644	1.365	1.014	100.	0.826
Ecu		39.26	7.490	6.519	1.908	0.789	1918	2.137	8.348	194.4	158.0	9.182	1.579	0.779	1.652	1.227	121.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6458	0.6438	-0.0027	0.6458	0.6433	24,363	72,689
Mar	-	0.6446	-	-	0.6446	24	4,076
Jun	-	0.6485	-	-	-	1	476

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0298	1.0240	-0.0060	1.0302	1.0230	15,133	46,624
Mar	-	1.0316	-	-	1.0316	273	2,575
Jun	-	1.0481	-	-	-	2	452

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7795	0.7786	-0.0019	0.7797	0.7770	10,320	35,620
Mar	0.7821	0.7812	-	0.7821	0.7812	10	633
Jun	-	0.7857	-	-	-	40	80

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5750	1.5736	-0.0022	1.5750	1.5720	7,521	32,238
Mar	-	1.5700	-	-	1.5700	6	290
Jun	-	1.5640	-	-	1.5640	1	6

EMS EUROPEAN CURRENCY UNIT RATES

Sep 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15181	+0.00198	-2.04	5.20	-
Ireland	0.808628	0.794142	-0.002189	-1.79	4.93	12
Belgium	40.2123	39.5060	+0.0316	-1.76	4.90	13
Germany	1.94964	1.92038	+0.00202	-1.50	4.62	-
France	6.53883	6.56273	+0.0038	0.37	2.68	-3
Denmark	7.43679	7.53959	-0.00524	1.38	1.65	-9
Portugal	192.854	195.718	-0.184	1.48	1.55	-10
Spain	154.250	158.962	-0.013	3.05	0.00	-21
NON ERM MEMBERS						
Greece	264.513	292.549	+0.309	10.60	-6.82	-
Italy	1793.18	1930.92	-3.26	7.68	-4.30	-
UK	0.786749	0.783853	-0.003022	-0.37	3.44	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.500	7.24	7.24	7.41	-	0.06	0.37
1.525	4.81	5.01	5.36	0.01	0.31	0.81
1.550	2.59	3.09	3.64	0.29	0.87	1.55
1.575	1.00	1.67	2.32	1.14	1.89	2.60
1.600	0.25	0.77	1.36	2.83	3.42	4.11
1.625	0.01	0.28	0.73	5.09	5.42	5.95

Previous day's vol., Calls 5,966 Puts 15,711 . Prev. day's open int., Calls 402,836 Puts 342,347

WORLD INTEREST RATES

MONEY RATES

September 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 3/16	5 1/4	5 3/8	6 1/8	8 3/8	7.40	4.50	-
week ago	4 7/8	5 1/4	6 1/4	5 7/8	6 3/8	7.40	4.50	-
France	5 1/8	5 1/4	5 5/8	5 3/8	6 1/4	5.00	-	6.75
week ago	5 1/4	5 1/4	5 5/8	5 3/8	8 1/4	5.00	-	6.75
Germany	4.52	4.95	5.05	5.23	5.83	6.00	4.50	4.85
week ago	4.87	4.95	5.02	5.16	5.53	6.00	4.50	4.85
Ireland	4 1/4	6 1/2	8 3/8	9 3/8	7 3/4	-	-	6.25
week ago	4 1/4	5 1/2	6 3/8	6 3/8	7 3/4	-	-	6.25
Italy	9 1/4	6 1/4	8 3/8	9 3/8	10 1/8	-	7.50	6.25
week ago	8 1/4	8 1/4	8 7/8	9 5/8	10 1/8	-	7.50	6.25
Netherlands	4.84	5.02	5.12	5.33	5.72	-	5.25	-
week ago	4.84	5.02	5.08	5.25	5.68	-	5.25	-
Switzerland	3 1/8	3 3/8	4 1/4	4 3/8	4 3/4	6.625	3.50	-
week ago	3 1/2	3 3/8	4	4 1/4	4 3/4	6.625	3.50	-
US	4 7/8	5	5 1/4	5 5/8	6 1/4	-	4.00	-
week ago	4 3/8	5	5	5 5/8	5 3/8	-	4.00	-
Japan	2 1/8	2 1/8	2 1/4	2 3/8	2 1/2	-	1.75	-
week ago	2 1/8	2 1/8	2 1/4	2 1/4	2 3/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 1/4	5 1/4	5 1/4	9 1/4	-	-	-
week ago	-	5 1/4	5 1/4	5 1/2	6	-	-	-
US Dollar CDs	-	4.76	5.03	5.35	5.93	-	-	-
week ago	-	4.76	4.87	5.19	5.78	-	-	-
SDR Linked Ds	-	3 5/8	3 3/4	3 3/4	4	-	-	-
week ago	-	3 1/2	3 3/4	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 3/8; 3 mths: 5 3/4; 6 mths: 6 1/8; 1 year: 6 3/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/8 - 4 13/16	5 1/2 - 5 1/4	5 7/8 - 5 3/4	6 3/8 - 6 1/4
Danish Krone	5 5/8 - 5 3/8	5 7/8 - 5 1/2	6 1/8 - 5 7/8	6 3/4 - 6 1/2	7 3/8 - 7 1/8	7 7/8 - 7 5/8
D-Mark	4 7/8 - 4 1/4	4 7/8 - 4 3/4	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 1/4 - 5 1/8	5 13/16 - 5 11/16
Dutch Guilder	5 1/16 - 4 13/16	5 - 4 7/8	5 - 4 7/8	5 1/8 - 5	5 3/8 - 5 1/4	5 3/4 - 5 5/8
French Franc	5 5/8 - 5 1/4	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 5/8 - 5 1/2	5 13/16 - 5 11/16	6 3/8 - 6 1/4
Portuguese Esc.	12 1/4 - 11 7/8	9 3/4 - 9 1/4	10 1/4 - 9 3/4	10 3/8 - 10 1/8	10 3/4 - 10 1/4	10 7/8 - 10 5/8
Spanish Peseta	7 1/4 - 7 1/8	7 5/8 - 7 1/4	7 5/8 - 7 1/2	7 13/16 - 7 11/16	9 1/2 - 8 3/4	9 1/8 - 9
Sterling	4 7/8 - 4 5/8	4 7/8 - 4 3/4	5 11/16 - 5 9/16	5 13/16 - 5 3/4	6 1/2 - 6 3/8	7 1/4 - 7 1/8
Swiss Franc	3 1/2 - 3 1/4	3 7/8 - 3 5/8	3 13/16 - 3 11/16	4 1/4 - 3 15/16	4 3/8 - 4 1/4	4 11/16 - 4 9/16
Can. Dollar	4 7/8 - 4 11/16	4 13/16 - 4 3/4	5 - 4 7/8	5 1/4 - 5 1/16	5 3/4 - 5 5/8	6 3/8 - 6 1/4
US Dollar	4 15/16 - 4 11/16	5 1/4 - 4 13/16	5 1/4 - 4 13/16	5 1/4 - 5 1/8	5 11/16 - 5 9/16	6 3/8 - 6 1/4
Italian Lira	9 - 7 1/2	8 1/4 - 7 3/4	8 1/4 - 8 1/8	8 3/8 - 8 1/4	8 3/4 - 9 1/4	10 1/8 - 10
Yen	2 1/4 - 2 1/8	2 11/16 - 2 1/4	2 3/8 - 2 1/4	2 3/8 - 2 1/4	2 1/4 - 2 1/8	2 11/16 - 2 5/8
Asian $Sing	11/16 - 11/16	1 3/8 - 1 1/4	2 1/4 - 2 1/8	3 1/4 - 3 1/8	4 - 3 1/2	4 1/4 - 4 1/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.07	+0.01	94.08	94.05	6,711	46,968
Mar	93.55	93.56	+0.02	93.58	93.55	4,058	34,463
Jun	93.15	93.19	+0.03	93.20	93.15	2,930	26,110
Sep	92.84	92.87	+0.03	92.88	92.84	1,886	19,366

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.11	+0.01	94.10	94.10	17	2061
Mar	93.73	93.75	+0.02	93.74	93.73	30	1445
Jun	93.37	93.39	+0.02	93.37	93.37	18	278
Sep	93.07	93.10	+0.02	93.07	93.07	2	52

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.72	94.71	-0.02	94.74	94.70	18352	191737
Mar	94.30	94.32	-	94.33	94.28	18293	173058
Jun	93.93	93.92	-0.02	93.94	93.90	10834	104685
Sep	93.58	93.58	-0.03	93.59	93.54	6077	66107

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.58	90.54	+0.08	90.59	90.52	3820	31907
Mar	89.71	89.73	+0.08	89.80	89.76	2101	18648
Jun	89.27	89.23	+0.03	89.27	89.20	857	15910
Sep	88.96	88.91	+0.05	88.96	88.88	621	14702

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.58	95.61	+0.01	95.63	95.58	2669	22712
Mar	95.21	95.21	-0.01	95.24	95.21	978	11358
Jun	94.86	94.88	+0.01	94.90	94.86	255	6069
Sep	94.55	94.57	-	94.57	94.55	17	910

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.52	93.55	-	93.57	93.52	368	7598
Mar	92.97	92.96	+0.01	92.98	92.95	162	5736
Jun	92.53	92.51	-	92.53	92.50	174	2428
Sep	92.13	92.12	+0.01	92.13	92.10	66	950

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.11	+0.01	94.12	94.10	112,466	530,525
Mar	93.75	93.74	+0.01	93.76	93.74	67,294	401,444
Jun	93.39	93.38	+0.01	93.39	93.38	41,622	265,467

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.64	94.63	-0.01	94.65	94.63	1,811	15,870
Mar	94.27	94.26	-	94.27	94.26	1,613	8,059
Jun	-	93.92	-	-	-	1	2,330

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9450	0.23	0.26	0.29	0.19	0.02	0.05	0.08	0.57
9475	0.06	0.10	0.14	0.10	0.10	0.14	0.18	0.83
9500	0.01	0.03	0.05	0.05	0.30	0.32	0.34	0.73

Est. vol. total, Calls 4312 Puts 758. Previous day's open int., Calls 164684 Puts 153302

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9550	0.18	0.13	0.09	0.07	0.42	0.71
9575	0.05	0.07	0.05	0.19	0.81	0.92
9600	0.02	0.05		0.41	0.84	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1865 Puts 613

UK INTEREST RATES

LONDON MONEY RATES

Sep 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 2	6 - 4 5/8	5 5/8 - 5 1/4	5 7/8 - 5 3/4	6 1/2 - 6 3/8	7 1/2 - 7 3/8
Sterling CDs	-	-	5 5/8 - 5 1/2	5 13/16 - 5 3/4	6 1/4 - 6 1/8	7 3/8 - 7 1/4
Treasury Bills	-	-	5 1/4 - 5 3/16	5 13/16 - 5 3/4	-	-
Bank Bills	-	-	5 1/4 - 5 3/16	5 13/16 - 5 3/4	6 1/8 - 6	-
Local authority deps.	4 13/16 - 4 13/16	6 7/16 - 5 1/16	6 1/16 - 5 7/16	5 13/16 - 5 13/16	6 3/16 - 6 1/16	7 5/16 - 7 1/16
Discount Market deps	6 - 3 1/2	6 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.5070pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.578pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.16	93.18	-	93.20	93.13	18207	164391
Mar	92.25	92.28	-0.01	92.29	92.22	11201	84569
Jun	91.57	91.62	+0.01	91.64	91.56	5112	52737
Sep	91.12	91.18	+0.02	91.21	91.12	3258	53250

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9300	0.40	0.14	0.17	0.21	0.86	1.55
9325	0.24	0.08	0.12	0.30	1.06	1.75
9350	0.13	0.04	0.06	0.44	1.26	1.96

Est. vol. total, Calls 1377 Puts 4119. Previous day's open int., Calls 271106 Puts 174680

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	8		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 26 / Sch)

BELGIUM/LUXEMBOURG (Sep 26 / Frs.)

DENMARK (Sep 26 / Kr)

FINLAND (Sep 26 / Mka)

FRANCE (Sep 26 / Frs.)

GERMANY (Sep 26 / Dm.)

ITALY (Sep 26 / Lire)

NETHERLANDS (Sep 26 / Fls.)

NORWAY (Sep 26 / Kroner)

SPAIN (Sep 26 / Pts.)

SWEDEN (Sep 26 / Kronor)

SWITZERLAND (Sep 26 / Frs.)

PACIFIC

JAPAN (Sep 26 / Yen)

AUSTRALIA (Sep 26 / AustS)

HONG KONG (Sep 26 / H.K.$)

MALAYSIA (Sep 26 / MYR)

SINGAPORE (Sep 26 / S$)

NORTH AMERICA

CANADA

TORONTO (Sep 26 / Can $)

4 pm close

MONTREAL (Sep 26 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 26 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, September 26, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.4m	387	-4	Toshiba	2.6m	747	-4
NKK	6.9m	290	+1	Oki Electric	2.6m	760	-20
Sumitomo Metal	3.4m	341	-5	Kao Corp	1.9m	1200	+30
Mitsubishi Hvy	3.2m	758	-7	Hitachi	1.9m	965	-2
Kawasaki Steel	2.6m	438		Mitsubishi Elec	1.9m	700	+6

INDICES

	Sep 26	Sep 23	Sep 22	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	20586.18	20800.95	25470.40	16/2	17706.90	20/4
Australia							
All Ordinaries(1/1/80)	2030.0	2027.7	2028.2	2340.60	3/2	1857.40	27/6
All Mining(1/1/80)	1083.7	1085.2	1081.2	1138.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	402.28	402.52	399.54	480.66	2/2	388.97	22/6
Traded Index(2/1/91)	1084.96	1089.03	1077.30	1222.25	1/2	1011.38	6/5
Belgium							
BEL20 (1/1/91)	1385.81	1397.82	1398.80	1642.65	9/2	1385.81	26/9
Brazil							
Bovespa (29/12/83)	(u)	54532.0	53352.0	55110.00	13/9	3800.90	3/1
Canada							
Metals Minls♦(1975)	(u)	4172.70	4136.99	4250.09	19/9	3289.08	20/4
Composite♦ (1975)	(u)	4367.50	4362.70	4608.90	23/3	3959.99	24/6
Portfolio§§ (4/1/83)	(u)	2081.12	2081.51	2182.09	1/2	1888.48	28/6
Chile							
IPSA Gen (31/12/80)	(u)	4949.7	4945.5	4940.70	23/9	3001.20	4/4
Denmark							
CopenhagenSE(3/1/83)	350.18	351.18	351.75	415.70	2/2	350.18	26/9
Finland							
HEX General(28/12/90)	1880.4	1864.1	1842.6	1972.08	4/2	1601.70	3/1
France							
SBF 250 (31/12/90)	1279.47	1291.75	1278.47	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	1902.72	1927.35	1899.37	2355.93	2/2	1886.18	4/7
Germany							
FAZ Aktien(31/12/58)	784.86	790.32	786.75	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2232.6	2247.3	2236.3	2466.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2088.67	2089.12	2073.03	2271.11	18/5	1980.82	20/6
Greece							
Athens SE(31/12/80)	847.53	852.58	854.89	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9643.63	9632.47	9868.14	12201.09	4/1	8399.44	4/5
India							
BSE Sens.(1979)	(u)	4406.53	4451.78	4628.57	12/9	3454.60	5/1
Indonesia							
Jakarta Comp.(10/8/82)	510.19	512.57	513.16	612.89	3/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1835.63	1855.57	1868.50	2082.15	26/1	1804.14	1/7
Italy							
Banca Comm Ital (1972)	672.14	688.16	671.13	847.17	10/5	588.65	10/1
MIB General (4/1/94)	1089.0	1083.0	1087.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19814.36	(c)	19833.67	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	290.07	(c)	289.85	311.71	13/6	268.22	4/1
Topix (4/1/68)	1585.21	(c)	1584.22	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2237.02	(c)	2246.46	2542.85	8/7	1873.53	4/1
Malaysia							
KLSE Comp.(4/4/86)	1167.18	1170.32	1179.86	1314.46	5/1	929.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2857.52	2828.51	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	427.7	429.4	426.8	454.90	31/1	405.30	21/6
CBS All Shr (End 83)	268.7	269.7	268.1	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2075.80	2080.53	2066.43	2439.64	3/2	1945.61	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1038.70	1045.54	1050.51	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2944.20	2959.36	2934.36	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2881.6	2887.0	2901.3	3228.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	569.54	571.79	565.83	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2444.0♥	2469.0	2455.0	2594.00	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6199.0♥	6362.0	6342.0	6757.00	15/8	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)''	1045.12	1028.59	1034.01	1045.12	26/9	855.37	2/4
Spain							
Madrid SE (30/12/85)	287.17	298.82	294.46	368.31	31/1	291.43	6/7
Sweden							
AffarsvardnGen (1/2/37)	1421.8	1428.3	1418.3	1683.80	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1224.39	1232.01	1230.16	1429.34	31/1	1157.97	18/7
SBC General (1/4/87)	921.59	928.74	927.35	1093.29	31/1	868.70	13/7
Taiwan							
WeightedPr.(30/6/66)''	7025.76	6930.28	6698.86	7048.24	17/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1485.72	1508.06	1531.43	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25971.9	25770.08	25171.87	28883.60	13/1	12880.70	24/3
WORLD							
MS Capital Int (1/1/70)$	628.0*	630.0	628.8	644.00	2/9	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1339.05	1343.73	1334.32	1540.19	31/1	1303.46	21/6
Euro Top-100 (26/6/90)	1175.94	1183.58	1175.55	1311.81	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	337.76	338.29	395.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	191.79	190.51	189.99	191.79	26/9	141.65	21/4

'' Sat Sep 24: Taiwan Weighted Price 6922.02; Korea Comp Ex 1037.41. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index Sep 26 - 2057.83 -30.50

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1935.0	1896.0	-42.0	1937.0	1894.0	30,295	26,177
Oct	1946.0	1905.0	-42.0	1946.0	1903.5	4,520	12,835
Dec	1938.5	1913.5	-41.5	1938.5	1922.0	200	-

Open interest figures for previous day.

US INDICES

Dow Jones	Sep 23	Sep 22	Sep 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3831.75	3837.13	3851.60	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	*97.23*	*97.29*	*97.24*	*105.81 (21/1)*	*96.43 (13/5)*	*105.77 (16/10/93)*	*54.99 (1/10/81)*
Transport	1499.41	1506.54	1500.56	1862.29 (2/2)	1489.41 (23/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	176.80	176.97	176.84	227.06 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3872.40 (3882.55) Low 3806.51 (3818.29) (Theoretical♦)
Day's high 3850.92 (3865.05) Low 3820.31 (3833.09) (Actual♦)

Standard and Poors	Sep 23	Sep 22	Sep 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	459.67	461.27	461.46	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	543.82	546.01	546.28	580.83 (16/9)	310.05 (21/4)	580.83 (15/9/94)	3.62 (21/6/32)
Financial	43.53	44.24	43.92	48.94 (14/6)	41.38 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.81	254.52	254.71	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.23	454.91	454.77	487.89 (2/2)	422.57 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	757.46	760.44	760.71	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 23	Sep 16	Sep 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.69	2.71	2.88
	Sep 21	Sep 14	Sep 7	Year ago
S & P Ind. Div. yield	2.41	2.37	2.37	2.51
S & P Ind. P/E ratio	20.64	20.91	20.96	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	*461.85*	*461.75*	*-0.20*	*462.40*	*461.10*	*67,960*	*204,183*
Mar	-	465.15	-	-	-	146	6,393
Jun	-	468.65	-	-	-	20	2,040

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ford Motor	5,665,000	26½	-½
Chrysler	5,384,500	43⅜	-1⅛
Gen Motors	5,356,300	46⅝	-1⅛
Amer Barrick	5,040,800	26⅞	+⅛
Telefonos	4,730,700	65¼	+1¼
Micron	4,311,800	38⅜	-⅜
Dig Equip	4,225,700	26	-2¾
Blockbuster	3,016,200	26⅝	+⅛
Compaq	2,712,900	34½	-⅜
Shaw Inds	2,650,000	14¼	-¼

■ TRADING ACTIVITY

● Volume (million)	Sep 23	Sep 22	Sep 21
New York SE	287.580	302.862	351.838
Amex	19.854	14.139	17.574
NASDAQ	295.765	280.854	292.278
NYSE			
Issues Traded	2,880	2,863	2,877
Rises	883	1,007	631
Falls	1,257	1,155	1,559
Unchanged	730	701	687
New Highs	33	21	19
New Lows	154	119	162

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 26

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	12½	AAR	0.40	3.7	21	111	13	12¾	12⅞	
16⅞	12⅝	A L Labs A	0.16	1.2	35	259	15⅝	15⅛	15⅝	+¼
77¼	67¾	AMP	1.68	2.2	28	2115	u77⅛	75½	75⅝	-1½
72¾	52	AMR			93	4323	53⅝	52⅝	53⅜	+¼
5	5⅛	ARX			13	139	3⅞	3⅝	3⅞	+⅛
56⅛	38⅝	ASA	2.00	3.0	34	921	52¾	51⅞	52⅛	-⅛
31⅜	25⅜	AbbtL	0.76	2.5	16	5983	31¼	30⅞	30⅞	+⅛
15¼	11⅜	AbitibiPr	0.50	3.4	11	118	14¾	14⅝	14⅝	-⅛
23⅝	17¾	ABM Ind	0.52	2.4		48	21¾	21½	21½	-¼
13⅛	11⅛	Acapulco			27	103	14¾	14½	14¾	
31	22⅞	ACE Ltd x	0.44	1.8	30	2404	24⅝	24	24⅛	-⅛
12½	9⅝	ACM Gvt In	1.09	11.4		332	9¼	d9⅝	9⅝	-⅛
10⅞	7⅞	ACM GvOpp	0.80	11.2		35	7⅛	d7⅛	7⅛	-⅛
10⅝	7½	ACM Gvt Sp	0.28	16.6		296	7¾	7⅝	7⅝	+⅛
12	8⅝	ACM Gvt Se	1.09	12.8		431	8⅝	8½	8½	
11⅛	8¾	ACM Man	1.00	12.5		131	8⅝	8½	8⅝	
9¾	8	ACM Managd	0.72	0.8		82	8¼	8⅛	8⅛	
15½	8¾	AcmeClv	0.44	3.2	16	182	13⅝	13¼	13⅝	+¼
9⅞	6½	Acme Elect			7	z100	9⅝	8⅞	8⅝	-⅛
28¾	25	Acordia	0.60	2.2	13	5	27⅛	27	27	
15¾	5¾	Actava	0.36	3.6	2	148	10⅛	10	10	
16⅛	11¾	Acuson			115	419	15	14¾	15	+⅛
18⅞	16½	Adams Expr	0.40	2.3	6	162	17⅛	17⅛	17⅛	
64	48½	Adv Micro	3.00	5.0		57	60½	59½	59¾	-1
61¾	16¾	AdvMic	3.00	10.2	15	3244	29⅞	29	29½	-½
6⅞	5	Advest Grp	0.16	3.1	8	58	5¼	5⅛	5⅛	-⅛
20	15	Advo Inc	0.19	0.8	118	29	17½	17¼	17½	+⅛
59½	49⅜	Aegon ADR	1.47	2.5	12	27	58⅝	58¼	58⅝	-½
65¾	44⅜	AetnaL	2.76	6.0	7	6555	46⅜	40½	46¼	+⅝
36⅛	25¼	Aflac	0.40	1.4	14	2926	33¼	32¾	33¼	+⅛
20¾	16⅜	Ahmanson	0.88	4.3	14	3438	20⅞	20½	20½	
4	1⅜	Aileen Inc			1	42	2⅝	2½	2⅝	+⅛
50⅜	38⅞	AirPrC	0.88	2.1	25	656	47	46⅛	47	+⅛

[illegible]

Continued on next page

4 pm close September 26

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
49⅞	32⅝	Sallie Mae	1.40	4.2	0	2993	33¼	32¾	33	
13⅞	11⅞	Salomon Br	0.32	2.6		252	12⅞	12⅛	12¼	+⅛
52¾	40	Salomn	0.64	1.8	8	782	40⅛	d39⅞	40⅛	+⅛
25	17½	SnDgGE	1.52	8.9	9	427	18⅝	18⅜	18⅜	-⅛
10	7½	SantaFeERs	0.19	1.0	9	979	9	8¾	9	+⅛
17⅝	13½	SFeGd				12312	17½	17	17⅜	+½
40	31½	SantaFePac	2.80	8.5	15	38	33⅛	32¾	32¾	-⅝
26¼	18½	SanFeP	0.18	0.4	12	2641	22⅞	22⅝	22⅞	+⅛
28	19⅜	SaraLee	0.64	2.9	15	2707	22⅜	22⅛	22¼	-¼
50⅛	42⅛	Scana Corp	2.82	6.5	11	250	43¼	43	43¼	+¼
20½	12½	Scecrp	1.00	7.8	9	5000	12⅞	12¾	12⅞	+⅛
41¼	31¾	SchererRP			31	81	40¾	40¼	40¾	+⅝
71⅞	54½	SchrPl	2.84	3.0	16	2433	69⅛	68¼	68¼	-½
63	50¾	Schlmb	1.20	2.2	22	4036	55	54¼	54⅝	+½
33⅞	23¼	Schwab(C)	0.28	1.9	13	848	28⅝	28¼	28⅜	-¼
10¾	0¼	Schwitzer			25	53	8	0⅞	8⅞	
45¼	24⅞	SciAtl	0.12	0.3	84	905	42¼	41⅞	42¼	
16⅞	13	Scotsman x	0.10	0.8	15	168	16⅛	16	16	-⅛
66⅞	37¼	ScottP	0.80	1.3	19	4960	62⅛	61	63½	+⅞
28⅝	18⅝	ScudderNAsF	0.21	0.9		89	23⅛	22⅞	23	-¼
12⅝	9½	ScudderNEsF	0.10	1.0		242	10	9⅞	9⅞	-¼
18¼	13½	SeaCnB	0.70	4.3	0	11	16⅜	16⅜	16⅜	-⅛
16½	14⅞	SeaC1.4625	1.48	0.4		2100	15⅝	15⅝	15⅝	-⅛
32⅝	25¼	Seagrm	0.60	1.9	38	1665	31⅛	30⅞	31	
29¾	22¾	Seagull En			30	249	23⅞	23⅜	23½	-½
36¼	25⅝	Sealed Air			25	428	33	32½	33	+¾
55⅛	42¼	SearsR	1.60	3.3	7	5510	48⅜	47½	48⅜	+¾
13¾	11¼	Seligm Sel x	0.84	7.4		107	11½	11¾	11⅝	
39¼	35	Sensormat	0.22	0.6	34	2184	33⅞	33½	33⅞	
39¾	26⅞	SequaA	0.60	2.2	0	35	27	d26⅝	27	+⅛
40¼	28	SequaB	0.50	1.6	17	10	32	32	32	-⅛
[illegible]										

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
9⅛	5⅝	Talleyind	0.42	5.3	12	00	[illegible]			
15½	18	Talley Pf	1.00	7.1		13	14[illegible]			
44½	24¾	Tmbrds	1.58	4.5	19	849	37[illegible]			
16⅝	10½	Tandem			3	5602	[illegible]			
49⅞	30¾	Tandy x	0.80	1.4	17	1140	42[illegible]			
12¼	8⅞	Taurus Mun	0.70	7.8		187	8[illegible]			
4	2¾	TCCInd				42				
22⅝	18⅛	Teco Energ	1.01	5.4	14	967	[illegible]			
38¾	23⅝	Tkmx	0.60	1.8	24	427	38[illegible]			
26⅝	14¼	Tektrn	0.80	5.8	64	117	16[illegible]			
48⅛	34⅝	TeleEspSA	1.69	4.2	7	881	40[illegible]			
76	50⅛	Telmex	1.51	2.3	10	28509	66[illegible]			
58¾	43¾	Tmpinl	1.00	1.9	44	2322	53[illegible]			
30⅝	18½	TempltEmMk	0.17	0.7		265	25[illegible]			
9⅛	8½	TempltGlob x	0.60	9.1		55	6[illegible]			
0	6⅝	TempltGlFd x	0.60	8.9		1151	0[illegible]			
58¾	42¼	Tnneco	1.60	3.6	16	12798	[illegible]			
30	25⅝	Teppco Ptn	2.40	8.5	11	37	28[illegible]			
32	20⅜	Teradyne			20	290	30[illegible]			
9⅞	4¼	Terex	0.06	1.0	0	96	6[illegible]			
15⅞	6⅞	Terra Inds	0.95	0.7	35	2892	1[illegible]			
12⅝	5¼	Tesoro			17	99	9[illegible]			
68¼	68⅛	Texaco	3.20	5.3	1X	3048	60[illegible]			
51⅞	49⅞	Texaco C	3.48	7.0		3	49[illegible]			
39¾	29⅝	Texas Ind	0.20	0.6	42	219	34[illegible]			
89½	61	TxInst	1.00	1.5	15	34285	69[illegible]			
21½	16¼	Texas Pac	0.40	2.0	24	25	2[illegible]			
49⅛	29⅝	TxUtil	3.08	9.7	19	6151	31[illegible]			
4⅜	2¾	Textl Inds	1.10	36.7	1	17				
60⅝	50¾	Textrn	1.40	2.7	12	1328	51[illegible]			
4¾	4	Thackeray			21X	4	4[illegible]			
24¼	14¾	Thai Cap	0.35	1.8		59	19[illegible]			
37⅛	24¼	Thai Fund	0.28	0.9		133	31[illegible]			
[illegible]										

[illegible]

- X - Y - Z -

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16½	14⅛	World Wide	0.10	0.7		32	14¾	14⅝	14⅝	-¼
7⅞	3⅝	Worldcorp			6	63	6¾	6⅝	6⅝	+⅛
53⅞	38⅛	Wrigley	0.40	1.2	27	1014	40⅞	40¼	40½	+⅛
20¾	10¼	Wyle Labor	0.28	1.5	16	31	18½	18⅛	18¾	-⅛
27⅞	18¼	Wynns Int	0.44	2.8	13	68	22¼	27	27¼	+⅛
109⅜	87¾	Xerox	3.00	2.8	54	3317	107½	106⅝	107½	+1½
54½	50	Xerox4.125	4.12	7.6		3	54⅛	54⅛	54⅛	
53¼	40	Xtra Corp	0.56	1.1	23	390	52¼	50⅞	52¼	+1¾
25½	20	Yankee Egy	1.22	6.0	11	28	20¼	d20	20¼	
42½	33⅞	York Int x	0.19	0.4	20	491	41⅞	41⅛	41⅞	+⅝
5½	1	Zapata x	0.14	3.3		328	4¼	4⅛	4¼	+.14
13½	7	ZnthEl			5	3065	10½	10	10½	+¼
27⅞	20⅝	Zenith Nat	1.00	4.2	8	65	24	23½	23¾	+¼
7⅞	6⅝	Zenix Inc x	0.83	12.0		177	6⅞	6¾	6⅞	
16⅛	11⅜	Zero	0.40	3.0	16	67	13¼	13	13⅛	+⅛
29¾	16⅞	Zurn Ind x	0.88	4.7	16	38	10	18⅝	18⅞	+⅛
13⅞	11	Zweig Fund	1.06	9.6		134	11⅜	11⅛	11¼	
10¾	0¼	Zweig Tot	0.84	9.7		238	8⅝	8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994.
Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extras. b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 26

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 26

[illegible]

AMERICA

Dow on hold ahead of Fed rates decision

Wall Street

US stocks struggled to find direction yesterday morning as investors awaited today's Federal Reserve policy-making session, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was up 3.03 at 3,834.78, whila the more broadly based Standard & Poor's 500 was a scant 0.20 higher at 459.87.

But the Nasdaq composite was down 4.59 to 752.87 on weakness in technology stocks; and the American SE composite was off 1.44 at 453.79. Volume on the Big Board was moderate, with 145m shares exchanged by early afternoon.

After a week of volatility, trading settled into a more even tempo. The blue chip index meandered within a few points of its opening level throughout the morning, mirroring a lazy drift by bonds.

Few investors were willing to make big new commitments before it became clear whether the Fed would decide to raise interest rates immediately.

Yesterday's session brought a piece of evidence suggesting the economy was cooling. The National Association of Realtors said that sales of existing single-family homes had fallen by 1.8 per cent last month, a little more than analysts had forecast.

But the data had little impact on sentiment. Allied Signal added $1 to $34¾, but the gain was offset by United Technology, which dropped $1¼ to $61¾.

Philip Morris gained $1 to $59¾ after signalling its intention to resist more stringent restrictions on smoking in New York City.

In semiconductors, Micron Technology shed $1⅛ to $36 while Texas Instruments plunged $4¼, or 6 per cent, to $67¾. CS First Boston downgraded both stocks, citing weak demand for dynamic random access memory, or Dram computer chips.

On the Nasdaq, Oracle was off $1⅛ at $42⅝ while Lotus Development added $1⅛ to $37⅛. The two companies reached an agreement to integrate their database software products.

In banking, EquiCredit surged $4¾ to $29¼ after Barnett Banks agreed to acquire the company. But Arbor National Holding plummeted $4¼ to $15¾ on news of its agreement to merge with BankAmerica. On the NYSE, Barnett dipped $¼ to $43¾ and BankAmerica $¼ to $45¼.

Canada

Toronto was lower in thin midday dealings as investors responded to US interest rate worries. The TSE 300 composite fell 32.66 to 4,334.88.

Only one of the 14 sub-indices remained in positive territory at noon, with a 2.0 per cent decline in conglomerates leading losses. Canadian Pacific fell C$¾ to C$22¾ amid concern over the effect of higher rates on the group.

Brazil

São Paulo edged down in light late morning trade amid concern over a report quoting the presidential candidate, Mr Fernando Henrique Cardoso, as saying that he saw possible government action to slow the inflow of foreign money into Brazil as positive. The Bovespa index was off 522 at 54,010 at 11.40 local time in turnover of R$121.5m ($141m).

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.95	-3.45	+5.69	-9.04	-4.39	+2.04
Belgium	-2.06	-5.36	+5.23	-9.39	-3.44	+3.04
Denmark	-1.53	-3.27	+2.26	-8.61	-4.17	+2.26
Finland	-2.57	-0.91	+38.09	+20.68	+33.47	+42.42
France	-0.60	-6.19	-4.16	-13.95	-9.83	-3.77
Germany	-1.34	-3.04	+6.61	-8.93	-4.03	+2.41
Ireland	-2.57	-0.77	+17.20	+1.41	+5.23	+12.29
Italy	-0.18	-2.18	+11.95	+9.93	+13.12	+20.70
Netherlands	-1.52	-4.22	+9.05	-5.75	-0.88	+5.76
Norway	-1.21	-7.45	+8.79	-2.36	+1.62	+8.44
Spain	-0.57	-3.74	+1.72	-9.81	-5.72	+0.60
Sweden	-1.41	-1.98	+10.88	+2.64	+7.32	+14.52
Switzerland	+0.45	+0.71	+8.86	-10.11	-2.54	+4.00
UK	-1.27	-7.23	+0.95	-10.92	-10.83	-4.95
EUROPE	-1.02	-4.79	+3.69	-8.81	-5.75	+0.58
Australia	-2.03	-2.89	+5.95	-6.20	-4.35	+2.07
Hong Kong	-3.12	+3.91	+31.86	-18.86	-23.97	-18.87
Japan	+0.66	-2.89	-1.92	+9.24	+16.92	+24.77
Malaysia	-0.92	+7.26	+46.15	-6.37	-7.53	-1.33
New Zealand	-1.45	+0.96	+11.20	-0.81	+0.10	+6.82
Singapore	+0.41	+1.66	+18.81	-7.07	-5.36	+1.00
Canada	-0.62	+1.90	+15.62	+3.96	-4.05	+2.39
USA	-2.38	-2.99	+0.20	-1.24	-7.45	-1.24
Mexico	+0.89	+1.66	+56.25	+7.99	-7.48	-1.27
South Africa	-1.27	-1.69	+59.43	+17.81	+9.76	+17.12
WORLD INDEX	-1.05	-3.01	+2.48	-0.86	-0.79	+5.87

† Based on September 23, 1994.

The world's equity markets accelerated their downtrend last week, the FT-Actuaries World index losing 1.05 per cent in local currency terms against a decline of 0.37 per cent in the week before.

Mr Robin Griffiths, technical analyst at James Capel, noted a week ago that when the US bond market topped out at the start of this year, it not only cracked all other bond markets, but brought most equity markets down as well. Now, he said, the process is being repeated: "After three months of stability, bond prices are headed down again in a second dip that will take equity prices with it." Hong Kong underperformed for the second week in succession. Last week's fall was directly linked to growing fears of an interest rate rise in the US, since the US and Hong Kong dollars are linked, hut investors were also inhibited by the withdrawal of the five Jardine group companies from the local Hang Seng index, ahead of their imminent delisting from the exchange.

EUROPE

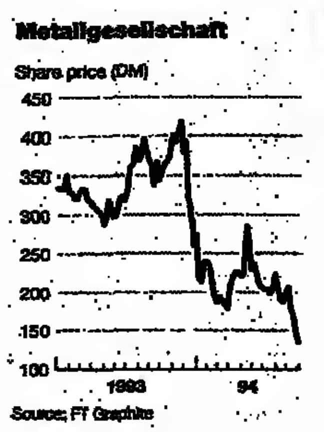
Washington meeting worries weigh on bourses

Worries about the outcome of today's Federal Open Market Committee meeting in Washington continued to weigh upon senior bourses, *writes Our Markets Staff.*

FRANKFURT blamed the FOMC prospect as the Dax index dropped 21.45 to 2,068.67 on the session, but some brokers injected political apprehension as the Ibis-indicated index fell further to 2,057.83 by the end of the afternoon, down 1.9 per cent from last Friday's post-bourse close.

Turnover fell from DM5.7bn to DM5.3bn. On the session, Daimler lost DM13.50 at DM772 after last Friday's Standard & Poor's downgrading of its debt; and Deutsche Bank dropped DM14.50 to DM692.50 on US selling on its involvement with Metallgesellschaft as one of the embattled trading group'a major banking shareholders.

Metallgesellschaft fell DM15.80 to DM133.20 and hit a new 1994 intraday low of DM122 after hours before closing the afternoon at DM130, as stories circulated that Deutsche Bank and other major banking shareholders



were reducing their positions.

The afternoon also brought a reaction from Siemens, down DM15.50 to DM647.70 at the close of Ibis trading, after a magazine article said the giant electricals group would report slightly lower profits this year; Siemens said the report contained errors.

PARIS fielded a number of corporate features as the general market fell on interest rate worries in a gloomy opening to the new account. The CAC 40 index lost 24.68, or 1.3 per cent, at 1,902.72 after a low of 1,895.62 for the day.

Turnover was FFr2.6bn. The best features were in leaders such as Peugeot, down just FFr2 to FFr793 before news after market hours of a return to profitability, and Société Générale,. expected to reveal higher profits today and FFr1 up at FFr536.

At the more painful end of the performance charts, Eurotunnel dropped FFr1.45, or 6.4 per cent, to FFr21.10 on reports of water leaks in the tunnel, although the company said this was a normal occurrence; and Crédit Lyonnais, opening strongly at FFr415 on hopes of state aid, fell to FFr378 before closing FFr8.20 lower at FFr387 as those hopes were denied. The bank will produce its delayed first-half results this afternoon.

AMSTERDAM was lower on interest rate worries and the AEX index closed 3.14 down at 400.47. Unilever bucked the trend, however, picking up 60 cents at Fl 194.50 amid optimism over forthcoming third-quarter results.

A 30-cent advance in Aegon to Fl 101.70 was attributed to strong interest in its call options on the EOE. ABN-Amro fell Fl 1.30 to Fl 57 and ING 90 cents to Fl 74.80.

KLM ended 20 cents higher at Fl 47.60 after its deputy chairman said the airline would seek to strengthen existing co-operation arrangements.

Heineken dipped Fl 1.70 to Fl 236.30: Kleinwort Benson, which continues to rate the stock a buy after the higher than expected first-half results, said the brewer was its preferred defensive play, along with CSM.

ZURICH finished lower in thin volume, the SMI index losing 23.0 at 2,586.1, with many investors unwilling to commit themselves.

Roche certificates set the tone with a SFr70 loss to SFr5,955 while Nestlé gave up SFr14 to SFr1,191, and Sulzer fell SFr20 to SFr890 ahead of today's first-half results.

Financials were broadly easier. Swiss Re fell SFr4 to SFr567. Among the banks, SBC lost SFr5 to SFr367 and CS Holding fell SFr9 to SFr538.

MILAN edged ahead on a day of highly charged political debate and the Comit index rose 3.95 to 672.14 as Friday's deadlina approached for the government to present its budget plans.

However, Mr John Stewart at InterEuropa Sim in Milan noted that business was light, with continuing delays and the postponement of yesterday morning's meeting between the government and unions on pensions reform adding to investors' worries about the eventual effectiveness of the budget proposals.

The small gain in the index was largely attributed to advances in telecom stocks, particularly that of Stet, which rose L114 to L4,621 on arbitrage activity ahead of the expiration of the warrants on its savings shares. Telecom Italia gained L101 at L4,325: the group is expected to report buoyant first-half figures today.

Six-month results continued to feature. Pirelli rose to a high of L2,660 in reply to Friday's better than expected first-half figures before ending L27 down at L2,610. Fiat was off L9 at L6,692, after touching L6,745, ahead of Thursday's figures.

MADRID reversed an early improvement to close with the general index 1.65 easier at 297.17.

Repsol was one of the few winners on the day, gaining a token Pta10 at Pta3,825 on news that the equity offer forming the third stage of the oil major's privatisation could be delayed until next year.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Sep 26							THE EUROPEAN SERIES	
Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1348.35	1345.98	1344.41	1341.73	1340.85	1339.92	1338.87	1339.05
FT-SE Eurotrack 200	1387.01	1383.66	1382.08	1379.26	1375.30	1377.60	1379.02	1380.89

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19
FT-SE Eurotrack 100	1343.73	1334.32	1340.34	1342.33	1356.96
FT-SE Eurotrack 200	1386.86	1377.54	1383.92	1386.74	1404.55

Base 1000 (26/10/90); High/day: 100 - 1348.35; 200 - 1387.01 Low/day: 100 - 1338.85 200 - 1376.82 † Partial

ASIA PACIFIC

Concerns over US policies inhibit general trading

Tokyo

Stocks drifted lower in thin trading, with most participants sitting on the sidelines, *writes Robert Patton in Tokyo.*

The Nikkei 225 average eased 19.31 to 19,814.36 after a three-day weekend; Tokyo markets were closed on Friday for a Japanese national holiday. Small early gains lifted the key index to a high of 19,922.4; the day's low was 19,780.5.

Declines outscored advances by 526 to 467, with 193 issues unchanged. Volume fell to an estimated 250m shares from the 353.7m traded last Thursday. Most traders were cautious over foreign exchange movements. Adding to market uncertainty was the looming Friday deadline for the imposition of Super 301 trade sanctions by the US.

The capital-weighted Nikkei 300 index inched ahead 0.22 to 290.07, while first-section Topix stocks closed at 1,585.21, np 0.99 from Thursday.

The second section index receded 9.44 to 2,237.02, with an estimated 7.25m shares changing hands. Japan Telecom, widely regarded as a market indicator ahead of the upcoming listing of Japan Tobacco on October 27, continned to decline. Listed on the second section, the stock fell Y100,000 to Y4.05m, its lowest value since listing on September 6. DDI, another second-section telecom stock, dipped Y8,000 to Y871,000, but Nippon Telegraph and Telephone remained flat at Y885,000.

In London, the ISE/Nikkei 50 index finished 0.89 firmer at 1,297.37.

A Sunday newspaper report that electronic parts maker Hosiden will spend Y60bn to build a large thin-film transistor liquid crystal display (TFT-LCD) plant in Kobe, western Japan, raised Hosiden shares Y80 to Y2,280. Hosiden supplies all LCD cockpit display panels used in Boeing 777 aircraft.

Other high-technology issues lost ground. Toshiba slipped Y4 to Y747, NEC was Y10 softer at Y1,170 and Oki Electric shed Y20 to Y760.

In Osaka the OSE average gained 28.18 points at 22,101.53 in volume of 60.8m shares.

Roundup

Worries about the outlook for interest rates after today's US Federal Open Market Committee meeting were an inhibition to trading in some Pacific Rim markets.

Bombay opened as normal but brokers refused to transact business, in sympathy with 10 brokers whose offices were gutted in the fire on Friday. The exchange is expected to reopen today.

SEOUL made beadway after Friday's consolidation to end at another all-time high as early strength in financial and banking shares spread to other issues. However, profit-taking in primary blue chips limited the advance.

The composite index closed 7.71 stronger at 1,045.12, just off a record intraday peak of 1,047.34 set in the morning.

Tha sub-group index for banks rose 11.26, or 1.6 per cent, to a fresh high for the year of 696.06, but profit-taking was seen in last week's best performers.

Samsung slipped Won1,900 to Won138,100 and Posco declined by Won500 to Won36,600.

TAIPEI put on 1.5 per cent amid late demand for banking stocks. The weighted index finished 103.74 higher at 7,025.76, although turnover was slow at T$48.4bn.

Financials reversed early falls and supported the market. Chang Hwa Bank put on T$8 at T$209, First Commercial Bank T$9 at T$205 and Hwa Nan Bank T$9 at T$229.

Closed-end funds also attracted buying on hopes that they would be converted into open-end funds soon. Kwang Hua Fortune, the most active issue, climbed 20 cents to T$13.15.

HONG KONG saw modest gains, although the market remained overshadowed by concern about the outlook for US interest rates.

The Hang Seng index was up 11.16 at 9,643.63 after an early high of 9,700.92, as turnover improved to HK$3.4bn from Friday's HK$3.07bn.

Among tbe seven stocks which will enter the Hang Seng index later this year and early in 1995, Sino Land moved forward 45 cents to HK$8.75 and Oriental Press put on 40 cents at HK$5.30.

Stocks which had been widely expected to join the main index, but failed to make last Friday's list, fell sharply. First Pacific dropped 47.5 cents, or 8.4 per cent, to HK$5.15, Guoco Group lost HK$1.60, or 4.1 per cent, at HK$37.60 and Henderson Investment shed 37.5 cents, or 5.1 per cent, to HK$6.975.

Lai Sun and Winsor both declined steeply after the announcement that they would be removed from the index, following their underperformance of the market. Lai Sun retreated HK$1.10, or 6.9 per cent, to HK$14.90 and Winsor was 60 cents, or 5.4 per cent, lower at HK$10.55.

On the opposite tack, shipping company IMC picked up 42.5 cents, or 7.7 per cent, to HK$5.95 on institutional buying following signs of recovery in the industry.

SYDNEY edged forward in quiet conditions ahead of today's FOMC meeting. The All Ordinaries index closed 2.3 higher at 2,030.0 as rises by golds and some industrial stocks offset falls in finance and some resource sectors.

WELLINGTON eased, with the threat of higher interest rates acting as a disincentive. The NZSE-40 Capital index finished 4.73 off at 2,075.80 in very low turnover of NZ$19.49m.

SINGAPORE was softer, although prices showed some resilience and the Straits Times Industrial index closed only 2.24 down at 2,299.81. Over-the-counter Malaysian shares were dampened by heavy profit-taking in the afternoon, after an unexpectedly strong start.

Yeo Hiap Seng Malaysia lost 45 cents at S$8.45 after the Malaysian authorities' move to calm recent feverish speculation by making it a "designated security".

KUALA LUMPUR was worried about interest rates and the composite index gave up 13.14 at 1,157.18.

Against the trend, Econstates and Actacorp, which resumed trading after recent suspensions, were sharply higher. Econstates rose M$2.65, or 67.9 per cent, to M$6.55 on the purchase of a port developer which has been awarded the privatised Klang West Port.

Actacorp climbed M$1.75, or 29.4 per cent, to M$7.70 on news that a businessman has bought a 26.6 per cent stake.

MANILA was pulled down by declining blue chips, and the composite index lost 15.16 at 2,944.20. Heavy selling was seen in a number of issues as investors cashed in profits, including Metropolitan Bank & Trust, which fell 35 pesos, or 4.2 per cent, to 796 pesos.

S African shares tumble

Johannesburg tumbled in response to a bank rate rise, higher August inflation and weaker world markets. A firmer financial rand also hit rand prices of offshore listed stocks. The overall index fell 138 to 5,617, industrials lost 157, or 2.5 per cent, at 6,203 and golds slipped 20 to 2,449.

Gold shares, firm early in the session, reversed direction as the bullion price failed to push ahead towards $400 an ounce.

De Beers retreated R4 to R99, Anglos fell R4.50 to R237.50 and Gencor declined 40 cents to R14.

Iscor receded 19 cents to R4.35 following its 12-cent advance on Friday. Remgro dipped 75 cents to R24.50, Richemont was R1.25 cheaper at R39.75 and Minorco relinquished R3.25 at R110.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 23 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 22 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.32	0.0	159.95	105.19	136.75	153.38	-0.3	3.52	170.25	160.13	105.55	157.09	153.78	189.15	141.54	142.06
Austria (16)	188.75	0.9	177.24	116.57	151.54	151.49	0.6	1.06	187.05	175.93	115.96	150.62	150.55	198.89	164.84	167.92
Belgium (37)	167.60	0.4	157.39	103.51	134.56	131.40	0.2	4.21	166.89	156.97	109.48	134.38	131.15	177.04	143.62	144.88
Canada (103)	139.03	0.3	130.56	85.87	111.63	135.34	0.4	2.50	138.64	130.40	85.95	111.64	134.86	146.31	120.64	122.15
Denmark (33)	252.78	0.3	237.38	156.12	202.95	206.60	0.0	1.42	251.90	236.92	156.16	202.83	206.78	275.79	223.94	226.01
Finland (24)	175.46	1.3	164.77	108.36	140.87	180.69	1.1	0.78	173.14	162.85	107.34	139.41	178.71	181.70	106.31	106.31
France (97)	169.32	1.5	159.00	104.57	135.94	140.25	1.2	3.14	166.86	156.94	103.44	134.35	138.80	186.37	159.34	162.88
Germany (58)	143.62	0.9	134.87	88.70	115.31	115.31	0.7	1.78	142.28	133.82	88.21	114.56	114.56	150.40	124.39	128.47
Hong Kong (56)	396.99	-0.3	372.81	245.19	318.74	393.87	-0.3	3.12	398.13	374.47	246.82	320.59	395.02	506.56	296.56	300.84
Ireland (14)	207.97	-0.6	195.30	128.44	166.97	167.81	-0.8	3.39	209.27	196.83	129.74	168.51	169.31	216.60	161.54	161.54
Italy (59)	82.79	0.8	77.75	51.13	66.47	96.40	0.4	1.81	82.02	77.15	50.85	66.05	95.96	97.76	57.86	72.47
Japan (469)	162.36	0.4	152.47	100.28	130.36	100.28	0.0	0.76	161.75	152.14	100.28	130.25	100.28	170.10	124.54	152.59
Malaysia (97)	583.68	-0.5	548.11	360.48	468.61	574.63	-0.6	1.46	586.82	551.94	363.80	472.52	577.67	621.63	399.67	399.57
Mexico (18)	2357.35	1.1	2213.71	1455.91	1892.62	8756.74	1.0	1.17	2331.23	2192.64	1445.23	1877.10	8667.35	2647.08	1645.82	1645.82
Netherland (27)	210.61	1.1	197.77	130.07	169.08	166.35	0.7	3.46	208.37	195.98	129.18	167.79	165.13	218.19	180.25	181.00
New Zealand (14)	72.54	1.3	68.12	44.80	58.24	63.94	0.9	3.74	71.61	67.35	44.39	57.68	63.36	77.59	59.22	60.01
Norway (23)	194.80	-0.5	182.93	120.31	156.39	179.08	-0.7	1.85	195.82	184.18	121.40	157.67	180.40	211.74	165.52	169.42
Singapore (44)	371.15	0.5	348.57	229.25	298.02	253.24	0.8	1.88	369.39	347.43	229.00	297.44	251.38	378.92	287.83	287.83
South Africa (59)	312.89	2.7	293.83	193.24	251.21	295.10	0.0	2.17	304.78	286.66	188.94	245.41	295.10	314.24	185.64	185.64
Spain (42)	140.15	1.9	131.65	86.56	112.56	136.08	1.7	4.24	137.60	129.42	85.30	110.79	133.76	155.79	128.69	134.59
Sweden (36)	224.89	0.9	211.19	138.90	180.56	248.71	1.0	1.60	222.92	209.67	138.20	179.50	246.16	231.35	175.83	188.04
Switzerland (47)	166.55	0.5	156.41	102.86	133.72	132.53	0.2	1.83	165.80	155.84	102.78	133.50	132.24	176.56	136.89	138.89
United Kingdom (204)	194.90	0.4	183.03	120.38	156.49	183.03	0.2	4.15	194.10	182.64	120.39	156.36	182.64	214.98	161.11	184.17
USA (516)	197.56	-0.3	176.13	115.83	150.58	187.56	-0.3	2.80	188.21	177.02	116.69	151.54	188.21	196.04	178.65	167.19
EUROPE (717)	170.55	0.8	160.16	105.33	136.93	150.52	0.5	3.09	169.26	159.19	104.93	136.29	149.72	178.58	153.90	154.94
Nordic (116)	217.85	0.9	204.58	134.55	174.90	206.08	0.7	1.44	216.23	203.37	134.05	174.11	204.65	222.18	173.15	176.97
Pacific Basin (748)	172.10	0.3	161.62	106.29	138.19	111.40	0.0	1.08	171.59	161.39	106.38	138.17	111.43	176.86	134.79	157.26
Euro-Pacific (1465)	171.32	0.5	160.88	105.81	137.55	127.10	0.2	1.93	170.48	160.35	105.69	137.27	126.84	178.14	143.88	156.95
North America (619)	184.53	-0.3	173.29	113.97	148.16	183.92	-0.3	2.88	185.12	174.12	114.77	149.06	184.50	192.73	175.67	183.17
Europe Ex. UK (513)	153.60	1.0	144.24	94.86	123.32	130.98	0.7	2.47	152.08	143.04	94.28	122.46	130.02	158.12	134.97	135.34
Pacific Ex. Japan (279)	266.49	-0.1	250.26	164.59	213.96	237.11	-0.2	2.74	266.82	250.96	165.41	214.85	237.57	296.21	203.19	203.19
World Ex. US (1645)	173.32	0.5	162.79	107.04	139.15	131.04	0.2	1.94	172.39	162.14	106.87	138.81	130.76	176.65	145.58	136.02
World Ex. UK (1957)	175.27	0.2	164.59	108.25	140.72	145.07	0.0	2.07	174.90	164.50	108.43	140.83	145.07	178.59	155.96	163.61
World Ex. So. Af. (2102)	176.15	0.2	165.41	108.79	141.42	147.48	0.0	2.27	175.80	165.35	108.99	141.55	147.45	180.03	158.54	165.42
World Ex. Japan (1692)	186.92	0.2	175.53	115.44	150.07	176.88	0.0	2.91	186.61	175.52	115.69	150.26	176.83	195.20	174.11	174.19
The World Index (2161)	177.01	0.2	166.23	109.32	142.12	148.56	0.0	2.27	176.81	166.11	109.48	142.21	148.53	180.80	158.85	165.43

PLEASE NOTE: A preliminary list of quarterly constituent changes (effective October 3) to the FT-AWI Large & Medium-Small Cap Indices is now available from NatWest Securities Limited and Goldman, Sachs & Co. Latest prices were unavailable for this edition. Japanese market closed 23/9/94

VIEWPOINT

The Commerzbank report on German business and finance 9/94

Germany's capital goods producers raise their market share

The western German economy has moved out of recession, but in manufacturing the recovery has so far been very uneven. Early this year, the capital goods sector began to rebound; it should achieve growth of a good 3% this year and 5% in 1995. However, the industry is starting from a low base as production had plunged 16% by the end of 1993, a much sharper decline than in previous recessions, rekindling fears that Germany had forfeited some of its international competitiveness.

On the other hand, while the drop in the consumer goods sector was in line with that registered during previous recessions, the outlook in this area of manufacturing remains lackluster. Output is likely to contract by 1.5% in the current year and in 1995 will probably be barely sufficient to offset this decline.

Boost from foreign demand

On average, nearly half of western Germany's capital goods' output (including motor vehicles) has been sold abroad over the past ten years, compared with only a third of its consumer goods' production. Thus demand for capital goods is more sensitive to changes in the economic performance of other countries, which – together with the appreciation of the D-mark in 1992/93 – largely explains why German producers were so severely hit by the fall in foreign demand, the longest and sharpest ever. In volume terms, orders from abroad were 19% higher in the second quarter of 1994 than at their end-1992 lowpoint, but still 6% below their pre-recession level.

"The capital goods sector could well repeat its success during the eighties"

Despite the strength of the D-mark, foreign demand is now the driving force behind Germany's economic recovery. The continuing robust upswing in the U.S. and Britain, as well as the improved prospects for Western Europe, are boosting economic performance in western Germany.

In an effort to increase their efficiency, German firms have tackled the problem of costs. Savings have been achieved in a number of ways: companies have restructured, invested in rationalization measures, transferred production abroad, negotiated more moderate pay settlements and considerably trimmed their workforces. By the end of the second quarter, unit labor costs in western German manufacturing were down 8% from their peak in early 1993, and as demand continues to pick up, they are likely to decrease further in 1995. German firms' earnings performance has improved markedly, albeit from a very low level. Indeed, having plummeted to a 25-year low in 1993, the manufacturing sector's profit margin should again be roughly in line with its average during the eighties next year.

With private households' real disposable income down, domestic orders are lagging behind those from abroad in all sectors of the economy. As a result, the outlook for German consumer goods is fairly subdued. In addition, as the producers of consumer goods focus to a large degree on relatively unsophisticated products, they are more exposed to international competition than are their counterparts in the capital goods sector. In particular, they face a strong challenge from low-wage countries in Asia and, increasingly, in Central and Eastern Europe as well. The current upturn, which could easily last until the end of the century, presents manufacturers of capital goods with an opportunity to achieve growth rates comparable to those seen during the long upswing of the 1980s, when output in the sector rose by 4% per year. Thanks not least to the additional demand created by the modernization of industry in Central and Eastern Europe, this should be feasible.